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Shuang-Bang Industrial Corp.

2023 Annual Report

Published April 10, 2024

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Market Observation Post System: <http://mops.twse.com.tw>
Company website: <http://www.sbinet.com.tw>

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V. Overseas exchange where securities are listed: None

VI. Company website: www.sbinet.com.tw

Shuang-Bang Industrial Corp.

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One. A Message to Shareholders

I. 2023 business report

On behalf of the board, I would like to first thank all our employees for their contribution and all our shareholders for their long-time support.

Below is a report on the Company's 2023 business performance and 2024 business plans and goals:

(I) Achievements of 2023 business plan

The Company's net consolidated revenue totaled NT\$1,580,608 thousand for 2023, at a gross margin of 7.79%. Earnings per share was at NT\$0.01.

In 2023, due to the global economic downturn and the repeated orders placed due to challenged sea freight with Europe and the United States in 2022, the consolidated revenue declined by 27.72% from 2022, and the operating gross profit margin of the current period decreased by 6.27% year-on-year.

(II) Budget execution in 2023

The Company did not disclose its financial forecast for 2023, hence no explanation is required.

(III) Revenue, expense, and profitability analysis

1. Financial overview and analysis

Unit: NTD thousands

Item	2023	2022	Variation (%)
Net operating revenues	1,580,608	2,186,641	(27.72)
Operating costs	(1,457,450)	(1,879,287)	(22.45)
Gross profit	123,158	307,354	(59.93)
Operating expenses	(180,475)	(226,352)	(20.27)
Operating profit (loss)	(57,317)	81,002	(170.76)
Non-operating net income (expense)	22,525	191,172	(88.22)
Net profit (loss) before tax	(34,792)	272,174	(112.78)
Income tax expense	15,442	(15,431)	(200.07)
Current net income (loss)	(19,350)	256,743	(107.54)
Other comprehensive income	(1,902)	14,943	(112.73)
Total comprehensive income for the current period	(21,252)	271,686	(107.82)

Note: The above figures were taken from audited consolidated financial statements

2. Profitability analysis

Item/Year	2023	2022
Return on assets (%)	(0.42%)	10.42%
Return on equity (%)	(1.47%)	19.43%
As a percentage of paid-up capital (%)	Operating profit	9.84%
	Profit before tax	33.05%
Net profit margin (%)	(1.22%)	11.74%
Earnings per share (NTD) (Note)	0.01	3.20

Note: EPS is calculated after making retrospective adjustments based on weighted average outstanding shares in the current year.

(IV) Research and development

- Water-based weatherproof color sheet/film
- Water-based hot-melt adhesive film
- Water-based hot-melt adhesive
- High-resilience casting material
- Shock-absorbing casting material
- Water-based transfer PU resin
- Water-based moisture-permeable resin membrane
- Biomass polyurethane moisture reactive adhesives
- High moisture-permeable moisture reactive adhesive
- R-PET hot-melt adhesive
- bluesign® Approval moisture-permeable film
- Mass production technology for industrial low-permeable membrane

II. 2024 business plan

(I) Operational strategies for the current year

1. Enhance group-wide resource integration and improve operating performance.
2. Strengthen customer relations for increased collaborative benefits.
3. Promote environment-friendly products and rally consumers toward social responsibilities.
4. Improve quality management practices to ensure the stability of product quality for better customer satisfaction.
5. Invest into the improvement of production procedures for reduced production cost and enhanced competitiveness.
6. Enhance industrial safety and health training, and improve work environment for all employees.

(II) Expected sales volume and basis

Unit: tonnes/thousand yards

Main products	Expected 2024 volumes
Coating and lamination	16,862
PU Resin	2,141
Curing agent	2,572
TPU	967

The above forecasts of sales and volumes are based on 2023 results, new products under development, anticipated growth in 2024 and customers' demand.

(III) Key production/sales policies

1. Making ongoing improvements to the production procedure for better customer satisfaction.
2. Develop high value-adding products for improved competitiveness.
3. Work with globally reputable companies for new market expansion.
4. Promote environment-friendly products and rally consumers toward social responsibilities.

III. Future development strategies

- (I) Maintain productive interaction with upstream and downstream partners for more stable supply and sales network.
- (II) Take initiative in the development of innovative products for greater market expansion.
- (III) Train talents and enhance employee training and education to support business expansion.

IV. Impacts of the competitive environment, regulatory environment, and the overall business environment

Despite intensifying competition in the external environment, the management has tracked market changes closely and responded to complex and unpredictable situations with appropriate strategies in a timely manner. With the support of the R&D team, the Company has been able to introduce products with distinctive advantages to meet the competition and thrive amidst the challenging environment. With respect to the regulatory environment, the Company observes national policies and laws whereas internal units such as finance, shareholder service, internal audit etc. are capable of monitoring changes and making appropriate adjustments to internal systems, operations, and business activities to ensure continuity. As for the macroeconomic environment, increased volatility in the price of raw materials has had direct impact on the Company's business costs, which the management has responded with pro-active inventory controls, product portfolio adjustments, and continued new product developments in an attempt to expand market presence for greater performance.

We hereby present to shareholders our business performance for 2023 along with outlooks and strategies for the current year. Motivated by the philosophy of "integrity, quality, innovation, and sharing," Shuang-Bang envisions itself of becoming "world's top tier technology innovator and value creator" and will accelerate new product development and strengthen technical capabilities critical to competitiveness, in order to produce high-quality products catering to customers' needs and gain market shares. Lastly, we thank you once more for your trust and support in the last year, and look forward to your guidance and encouragement in the future.

Chairman: Chung-Tang Chang

Manager: Yu-Chuan Hsu Chief

Accounting Officer: Min-Chu Lin



Two. Company Profile

I. Date of establishment

November 17, 1989.

II. Company history

<u>Year</u>	<u>Major events</u>
March 2021	Received NT\$1,040 million of subsidy from the Ministry of Economic Affairs through the Taiwan Industry Innovation Platform Program
June 2021	Adjusted industry classification from "Chemical" to "Textile"
July 2021	Ranked among the Top 5000 Largest Corporations in Taiwan 2021, and the 997th manufacturer in terms of net revenues
August 2021	Establishment of Audit Committee
November 2021	Awarded with Silver Medal by Workforce Development Agency, Ministry of Labor for TTQS (TalenT Quality Management System)
January 2022	Certification of GRS (Global Recycled Standard)
March 2022	Disposal of land and factory on Chenggong 3rd Road, Nantou City
November 2022	Consolidation of the subsidiary Shuang-Bang Industrial Corp. (BVI)
July 2023	NT\$27 million subsidy granted by the Ministry of Economic Affairs for the "Low-Carbon and Smart Upgrade and Transition of Big Companies-Guided SMEs in Manufacturing Industries"
November 2023	Establishment of Nomination Committee and Risk Management Committee

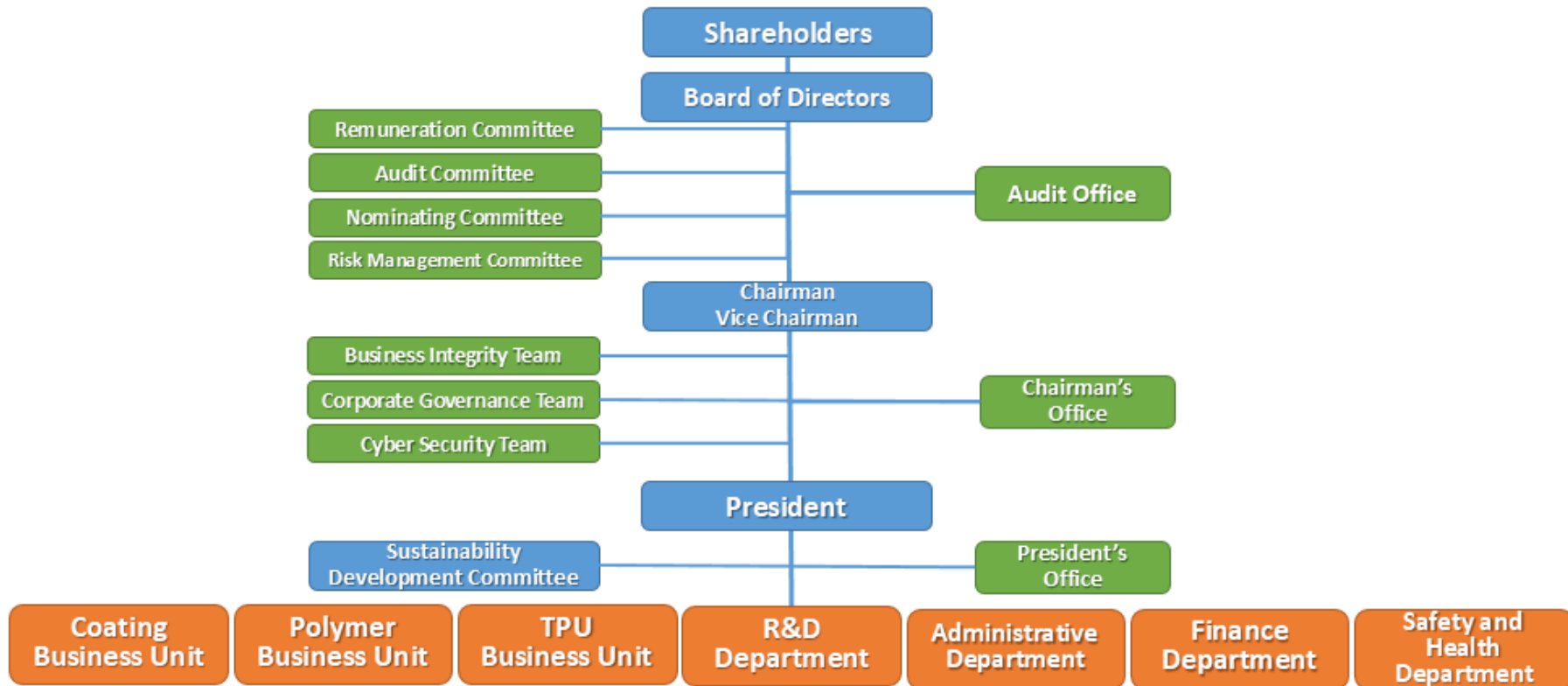
Three. Corporate Governance Report

I. Organizational structure

(I) Organizational Chart

Shuang-Bang Industrial Corp.

Organizational Chart



(II) Responsibilities of main departments

Main departments	Main business activities
Audit Office	Planning, execution, and auditing of the Company's internal audit system; providing improvement opinions for the management.
Chairman's Office	<ol style="list-style-type: none">1. Evaluates matters concerning business investment2. New business development3. Establishment of future growth strategies
President's Office	<ol style="list-style-type: none">1. Purchase of raw materials and fixed assets2. Public relations
Coating Business Unit	<ol style="list-style-type: none">1. Sale and customer service for waterproof and moisture permeable fabrics and other laminated products2. Production and processing of waterproof and moisture permeable fabrics and other laminated products3. Sale and customer service for waterproof and moisture permeable fabrics and other coated products4. Production and processing of waterproof and moisture permeable fabrics and other coated products
Polymer Business Unit	<ol style="list-style-type: none">1. Sale and customer service for resins and curing agents2. Sale and customer service for special chemicals3. Production of resins and curing agents
TPU Business Unit	Production and sale of TPU, and related customer service
R&D Department	<ol style="list-style-type: none">1. Development of waterproof and moisture permeable fabrics and other coating technologies2. Development of resins, curing agents, and special chemicals
Administrative Department	<ol style="list-style-type: none">1. Human resource planning, performance evaluation, and attendance management2. Employee welfare and matters relating to Labor/National Health Insurance3. Management of documents and data relating to ISO-9001 and ISO-140014. Maintenance and management of fixed assets5. Warehousing and transportation of raw materials and finished goods6. Information system development and management, software/hardware management, and cybersecurity management

Main departments	Main business activities
Finance Department	<ol style="list-style-type: none"> 1. Accounting treatment, bookkeeping, and statement preparation 2. Budget planning and discrepancy analysis 3. Cost control and calculation 4. Collection and payment of transaction proceeds 5. Sourcing of working capital and planning of capital allocation 6. Record-keeping and management of customers' checks 7. Petty cash management 8. Sign-off, distribution, delivery, and record-keeping of cash and check
Safety and Health Department	Management of work safety and worker health issues

II. Background information of directors, the President, vice presidents, assistant vice presidents, and heads of departments and branch offices

(I) Directors

1. Director's profile

April 2, 2024

Title	Nationality or place of registration	Name	Gender/age	Date elected/onboard	Term of service	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) backgrounds	Other positions with the Company and other companies concurrently held	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Remarks
							No. of shares	Share-holding Percentage	No. of shares	Share-holding Percentage	No. of shares	Share-holding Percentage	No. of shares	Share-holding Percentage			Title	Name	Relationship	
Chairman	R.O.C.	Chung-Tang Chang	Male/71	2021.08.27	3 years	1989.11.04	6,146,434	7.46%	6,700,207	8.14%	1,000,871	1.22%	—	—	Department of Chemistry, National Chung Hsing University President and Chairman of the Company	Note 1	None	—	—	Note 6
Vice Chairman	R.O.C.	Ah-Ming Chen	Male/65	2021.08.27	3 years	1994.11.10	4,998,801	6.07%	4,998,802	6.07%	2,524,891	3.07%	450,522	0.55%	Department of Chemistry, National Cheng Kung University Business Manager and President of the Company	Note 2	None	—	—	—
Director	R.O.C.	Hsi-Neng Hsieh	Male/68	2021.08.27	3 years	2000.05.21	891,571	1.08%	891,571	1.08%	9,345	0.01%	—	—	Master's Degree, Institute of Polymer Science & Engineering, Tsinghua University Assistant Manager, R&D Department, SUNKO INK CO., LTD.	—	None	—	—	—

Title	Nationality or place of registration	Name	Gender/age	Date elected/onboard	Term of service	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) backgrounds	Other positions with the Company and other companies concurrently held	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Remarks
							No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship	
														Senior Researcher, Great Eastern Resins Industrial (GRECO) Vice President of the Company (retired)						
Director	R.O.C.	Ken-Chen Chen	Male/79	2021.08.27	3 years	2006.05.16	567,269	0.69%	567,269	0.69%	—	—	—	—	Department of International Business, Tamkang University CEO of Panel Group	Note 3	None	—	—	—
Director	R.O.C.	Ho-Pin Lin	Male/68	2021.08.27	3 years	2009.06.30	2,608,121	3.17%	2,622,121	3.18%	509,196	0.62%	—	—	Lizen High School Chairman, HOR JING CORP.	Note 4	None	—	—	—
Director	R.O.C.	Uei-Want Industrial Co., Ltd.	—	2021.08.27	3 years	2012.06.18	2,500,000	3.04%	2,500,000	3.04%	—	—	—	—	—	—	—	—	—	
	R.O.C.	Representative: Cheng-Yen Liang	Male/73	—	—	—	—	—	—	—	—	—	—	—	National Pingtung Senior High School Chairman of Uei-Want Industrial Co., Ltd.	Note 5	None	—	—	—
Independent Director	R.O.C.	Tu-Hsin Yang	Male/73	2021.08.27	3 years	2007.12.20	—	—	—	—	—	—	—	—	Ph.D. in Organic Chemistry, Ohio State University	—	None	—	—	—

Title	Nationality or place of registration	Name	Gender/age	Date elected/onboard	Term of service	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) backgrounds	Other positions with the Company and other companies concurrently held	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Remarks
							No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage	No. of shares	Shareholding Percentage			Title	Name	Relationship	
															Professor of Chemistry , National Chung Hsing University					
Independent Director	R.O.C.	Yen Wang	Male/68	2021.08.27	3 years	2007.12.20	—	—	—	—	—	—	—	—	Ph.D. in Marketing, University of Minnesota Team Leader of Trading Department, Taiwan Stock Exchange Corporation Researcher, University of Minnesota	—	None	—	—	—
Independent Director	R.O.C.	Cheng-Feng Cheng	Male/71	2021.08.27	3 years	2021.08.27	18,468	0.02%	18,468	0.02%	78,802	0.10%	—	—	Ph.D. in Chemistry, University of North Texas Professor of Chemistry , National Chung Hsing University	—	None	—	—	—

Note 1: CSO of the Company; Chairman of Wada Technology Co., Ltd.; Corporate Director Representative at Miracle Textile Industry Co., Ltd.; Corporate Director Representative at Shoetex Corporation; Chairman of Shoetex Corporation

Note 2: Vice President of the Company; Chairman of Chia Cherng Industry Co., Ltd.; Corporate Director Representative at Shoetex Corporation

Note 3: CEO of Panel Group; Director of Tung Kang Industrial Co., Ltd.; Director of Tung Yo Industrial Co., Ltd.; Director of Panel Trading Co., Ltd.

Note 4: Chairman of Ho Jing Co., Ltd.; Chairman of Fujian Baoshunxing Trading Co., Ltd.

Note 5: Director of Uei-Want Industrial Co., Ltd.; Chairman of Unifong Corporation

Note 6: Chairman and President or manager of the highest equivalent level are the same person or spouses or first-degree relatives to each other: none.

2. Major shareholders of corporate shareholders:

April 2, 2024

Name of corporate shareholder	Corporate shareholder's major shareholders
Uei-Want Industrial Co., Ltd.	Cheng-Yen Liang (31.5%), Hsuan-Hao Liang (31.5%), I-Ting Liang (10%)

Major shareholders of corporate shareholders that are major shareholders: Not applicable.

3. Disclosure of professional qualifications of directors and independence of independent directors:

Criteria Name	Professional qualification and experience (Note 1)	Independence criteria (Note 2)	Number of concurrent positions as independent director in other public companies
Chung-Tang Chang	<ol style="list-style-type: none"> Possesses operational experience, chemistry and textile knowledge, knowledge of international markets, and risk management, crisis management, leadership, and decision-making skills. Current Chairman and CSO of the Company. Former President of the Company. 	<ol style="list-style-type: none"> Non-independent Director None of the directors had any relationship characterized as spouse or 2nd-degree relative or closer to each other 	None
Ah-Ming Chen	<ol style="list-style-type: none"> Possesses operational experience, chemistry and textile knowledge, knowledge of international markets, and risk management, crisis management, leadership, and decision-making skills. Current Vice Chairman and Vice President of Investment Office of the Company. Former President and Business Manager of the Company. 		None
Hsi-Neng Hsieh	<ol style="list-style-type: none"> Possesses operational experience, chemistry knowledge, knowledge of international markets, and risk management, leadership, and decision-making skills. Current Director of the Company. Former Vice President of R&D Department of the Company. 		None
Ken-Chen Chen	<ol style="list-style-type: none"> Possesses operational experience, knowledge of international markets, knowledge of the chemical industry, and risk management, crisis management, leadership, and decision-making skills. Current CEO of Panel Group. Former CEO of Panel Group. 		None
Ho-Pin Lin	<ol style="list-style-type: none"> Possesses operational experience, knowledge of international markets, knowledge of the shoe-making industry, and risk management, crisis management, leadership, and decision-making skills. Currently the Chairman of HOR JING CORP. Successively served as Chairman of the Board of Directors of HOR JING CORP. 		None

Criteria Name	Professional qualification and experience (Note 1)	Independence criteria (Note 2)	Number of concurrent positions as independent director in other public companies
Representative of Uei-Want Industrial Co., Ltd.: Cheng-Yen Liang;	<ol style="list-style-type: none"> 1. Possesses operational experience, knowledge of international markets, knowledge of the shoe-making industry, and risk management, crisis management, leadership, and decision-making skills. 2. Current Chairman of Uei-Want Industrial Co., Ltd. 3. Successively served as the Chairman of Uei-Want Industrial Co., Ltd. 		None
Tu-Hsin Yang	<ol style="list-style-type: none"> 1. Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills. No circumstances as described in Article 30 of the Company Act 2. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. 3. Former: Professor of Chemistry , National Chung Hsing University. 	<p>The three directors on the left:</p> <ol style="list-style-type: none"> 1. All satisfied the independence criteria required of independent directors. 2. Completely satisfied the independence criteria: <ol style="list-style-type: none"> (1) None of the individual, spouse, and 2nd-degree relatives or closer serve as director, supervisor, or employee in the Company or any of its related enterprises. (2) Percentage of the Company's shares held in the name of self, spouse, or 2nd-degree relatives or closer: Tu-Hsin Yang, Yen Wang: 0%. Cheng-Feng Cheng, 97,270 shares, 0.12% (3) Did not serve as director, supervisor, or employee in any entity that had certain relationship with the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange"). (4) Did not receive compensation from the Company or its affiliated enterprises for commercial, legal, financial, or accounting services in the last two years. 	None
Yen Wang	<ol style="list-style-type: none"> 1. Possesses financial, accounting, and legal knowledge and risk management, crisis management, leadership, and decision-making skills. No circumstances as described in Article 30 of the Company Act 2. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. 3. Former: Associate Professor of Finance at Chaoyang University of Technology; Team Leader of Trading Department, Taiwan Stock Exchange Corporation; Researcher, University of Minnesota. 		None
Cheng-Feng Cheng Onboard August 27, 2021	<ol style="list-style-type: none"> 1. Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills. No circumstances as described in Article 30 of the Company Act 2. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. 3. Former: Professor of Chemistry , National Chung Hsing University; Vice President of National Chung Hsing University. 		None

Note 1: Professional qualifications and experiences: Please describe the professional qualifications and experiences of individual directors and supervisors. If an Audit Committee member is equipped with accounting or financial expertise, it is necessary to provide his/her accounting or financial background and work experience and explain whether these are any circumstance specified in Article 30 of the Company Act.

Note 2: It is necessary to describe the independence of independent directors. This includes but not limited to the adherence to the following (1) to (4) requirements for the directors, their spouses and relatives within two degrees of kinship.

- (1) None of the director, spouse, and relatives within two degrees of kinship serves as a director, supervisor, or employee in the Company or any of its related enterprises.
- (2) None of the director, spouse, and relatives within two degrees of kinship holds the Company shares (or under other's names).
- (3) Not serving as a director, supervisor or employee of a company with specific relationships with the Company (in reference to Subparagraphs 5 to 8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)
- (4) No rendering of services in business, legal, financial, or accounting to the Company or its affiliated enterprises during the last two years.

4. Diversity and independence of the board of directors:

A. Board diversity

(1) Composition of the board: The Company has a board diversity policy that outlines not only the knowledge and skills, but also the professional backgrounds and experiences that the board as a whole must possess (professional background of current board members covers: business administration, international markets, risk management, marketing, accounting, finance, and laws). Many of the directors have had decades of management experience and are highly respected within the industry.

The Company has been highly dependent upon the knowledge, insight, operational judgment, leadership, and decision-making skills of its directors.

(2) The board as a whole shall possess the following capacities:

1. Operational judgment.
2. Accounting and financial analysis.
3. Business administration. (Including ability to manage subsidiaries)
4. Crisis management.
5. Industry knowledge.
6. International marketing.
7. Leadership.
8. Decision making.

(3) Management targets

Management targets	Achievement and explanation
No more than one third of the directors shall concurrently serve as managers	Among the nine seats on the Company's 13th Board of Directors, two seats are currently held concurrently by managers, achieving the target number of seats set forth in the Board diversity policy and meeting the management objective.
At least one female director	The Company has always been attentive to gender equality on the Board of Directors and will increase the number of female directors in the upcoming Board of Directors election at the 2024 Shareholders' Meeting.
Up to three terms of office for independent directors	Among the nine seats on the Company's 13th Board of Directors, three are independent directors with expertise spanning finance and accounting, law, marketing, and business management. Two of the independent directors have served for more than three terms, and female directors will be added in the Board of Directors election at the 2024 Shareholders' Meeting.

(4) Analysis of industry knowledge and professional skills among the current directors:

(1) Chairman

Director member	Date elected/ onboard	Nationality	Gender	Age distribution			Industry experience				Professional capabilities				
				Age 31 to 50	Age 51 to 70	Age 71 and above	Coating	Polymer	Shoe-making	Investment	Business administration	International marketing	Risk management	Accounting and financial analysis	Law
Chung-Tang Chang	2021/8/27	R.O.C..	Male			o	o	o	o	o	o	o	o	o	o

(2) Director

Director member	Date elected/onboard	Nationality	Gender	Age distribution			Industry experience				Professional capabilities				
				Age 31 to 50	Age 51 to 70	Age 71 and above	Coating	Polymer	Shoe-making	Investment	Business administration	International marketing	Risk management	Accounting and financial analysis	Law
Ah-Ming Chen	2021/8/27	R.O.C.	Male		○		○	○		○	○	○	○		
Hsi-Neng Hsieh	2021/8/27	R.O.C.	Male		○		○	○		○	○	○	○		
Ken-Chen Chen	2021/8/27	R.O.C.	Male			○		○		○	○	○	○		
Ho-Pin Lin	2021/8/27	R.O.C.	Male		○				○	○	○	○	○		
Cheng-Yen Liang	2021/8/27	R.O.C.	Male			○			○	○	○	○	○		

(3) Independent directors

Director member	Date elected/onboard	Nationality	Gender	Age distribution			Industry experience				Professional capabilities				
				Age 31 to 50	Age 51 to 70	Age 71 and above	Coating	Polymer	Shoe-making	Investment	Business administration	International marketing	Risk management	Accounting and financial analysis	Law
Yen Wang	2021/8/27	R.O.C.	Male		○					○	○		○	○	○
Tu-Hsin Yang	2021/8/27	R.O.C.	Male			○		○			○		○		
Cheng-Feng Cheng	2021/8/27	R.O.C.	Male			○		○			○		○		

B. Board independence: Please provide the number and the percentage of independent directors, describe the board independence and explain whether there is any circumstance specified in Subparagraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. This includes whether directors and supervisors are spouses or relatives within two degrees of kinship to each other.

- (1) Number and percentage of independent directors: The Company has three independent directors, or 33% of the board.
- (2) Board independence
Two directors are also employees, or 22% of the board.
None of the total nine directors is related within two degrees of kinship, in compliance with Subparagraph 3, Article 26-3 of the Securities and Exchange Act. Please refer to pages 7-8 of this annual report for details.
- (3) The Company does not have supervisors and hence there is no circumstance specified in Subparagraph 4, Article 26-3 of the Securities and Exchange Act.

(II) Background information of the President, vice presidents, assistant vice presidents, and heads of departments and branches

April 22, 2023

Title	Nationality	Name	Gender	Date elected/ onboard	Current shareholding		Shareholding held by the spouse and minor children		Shares held by proxy		Main career (academic) backgrounds	Concurrent positions in other companies	Spouse or relatives within two degrees of kinship as managers			Remarks
					No. of shares	Share- holding Percentage	No. of shares	Share- holding Percentage	No. of shares	Share- holding Percentage			Title	Name	Relationship	
CSO	R.O.C.	Chung -Tang Chang	Male	2017.03	6,700,207	8.14%	1,000,871	1.22%	—	—	Department of Chemistry , National Chung Hsing University President and Chairman of the Company	Chairman of Wada Technology Co., Ltd.; Corporate Director Representative at Miracle Textile Industry Co., Ltd.; Corporate Director Representative at Shoetex Corporation; Chairman of Shoetex Corporation	—	—	—	Note
President	R.O.C.	Yu- Chuan Hsu	Female	2015.01	322,399	0.39%	—	—	—	—	Feng Chia University (Ph.D. in Finance) Tiaoho & Co. Finance Manager and Business Department Manager of the Company	Corporate Director Representative at Miracle Textile Industry Co., Ltd.; Supervisor of Shoetex Corporation	—	—	—	Note
Chairman's Office Vice President	R.O.C.	Ah- Ming Chen	Male	2007.03	4,998,802	6.07%	2,524,897	3.07%	450,522	0.55%	Department of Chemistry , National Cheng Kung University Business Manager and President of the Company	Chairman of Chia Cherng Industry Co., Ltd.; Corporate Director Representative at Shoetex Corporation	—	—	—	—
Finance Department	R.O.C.	Min- Chu Lin	Female	2013.05	92,438	0.11%	—	—	—	—	EMBA, National Chung Hsing University	Supervisor of Miracle Textile Industry Co., Ltd.; Representative of legal	—	—	—	—

Vice President											KPMG Taiwan	entity director of Shoetex Corporation				
Assistant Vice President of Polymer Segment	R.O.C.	Chun-Han Li	Male	2018.03	8,509	0.01%	—	—	—	—	Department of Chemical Engineering, National Chin-Yi University of Technology Production manager of the Company	None	—	—	—	—
Coating Segment Assistant Vice President	R.O.C.	Chien-Chung Ko	Male	2019.06	42,288	0.05%	—	—	—	—	San-Chung Commercial and Industrial Vocation High School Business Manager of the Company	Representative of legal entity director of Miracle Textile Industry Co., Ltd.	—	—	—	—

Note: President or manager of the highest equivalent grade being the same person as or a spouse or first-degree relative to the Chairman: None.

III. Compensation paid to directors, supervisors, the President, and vice presidents in the last year

(I) Compensation to non-independent and independent directors

Unit: NTD thousands

Title	Name	Directors' compensation								Sum of A, B, C and D as a percentage of net income		Compensation received as employee								Sum of A, B, C, D, E, F, and G and relative percentage to net income		Compensation from parent company or business investments other than subsidiaries						
		Benefits (A)		Severance pay and pension (B)		Director remuneration (C)		Business Fees for services rendered (D)				Salaries, bonuses and special disbursements, etc. (E)		Severance pay and pension (F)		Employee remuneration (G)												
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements									
Director	Chairman	Chung-Tang Chang		-	-	-	-	-	-	330	332	330	332	51.89%	52.20%	9,420	9,429	108	108	-	-	-	-	9,858	1,550.00%	9,869	1,551.73%	None
	Vice Chairman	Ah-Ming Chen																										
	Director	Hsi-Neng Hsieh																										
	Director	Ken-Chen Chen																										
	Director	Ho-Pin Lin																										
	Director	Representative of Uei-Want Industrial Co., Ltd.: Cheng-Yen Liang																										
Independent Director	Independent Director	Tu-Hsin Yang		360	360	-	-	-	-	270	270	630	630	99.06%	99.06%	-	-	-	-	-	-	-	630	99.06%	630	99.06%	None	
	Independent Director	Yen Wang																										
	Independent Director	Cheng-Feng Cheng																										

- The policy, system, standards, and structure by which independent director remuneration is paid and association between the amount paid and independent directors' responsibilities, risks and time committed: Independent directors are entitled to fixed monthly pay and travel allowance for every meeting attended. Furthermore, the Articles of Incorporation allows the Company to allocate remuneration to all directors up to 3% of current year's profits. The exact amounts of remuneration are adjusted according to business performance and allocated depending on directors' contribution.
- Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year:
None

Compensation range

Range of compensation paid to directors of the Company	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Below NT\$1,000,000	<u>Directors:</u> Chung-Tang Chang, Ah-Ming Chen, Hsi-Neng Hsieh, Ho-Pin Lin, and Uei-Want Industrial Co., Ltd. (representative: Cheng-Yen Liang) <u>Independent Directors:</u> Yen Wang, Tu-Hsin Yang, and Cheng-Feng Cheng	<u>Directors:</u> Chung-Tang Chang, Ah-Ming Chen, Hsi-Neng Hsieh, Ho-Pin Lin, and Uei-Want Industrial Co., Ltd. (representative: Cheng-Yen Liang) <u>Independent Directors:</u> Yen Wang, Tu-Hsin Yang, and Cheng-Feng Cheng	<u>Directors:</u> Ken-Chen Chen, Ho-Pin Lin, Hsi-Neng Hsieh, and Uei-Want Industrial Co., Ltd. (representative: Cheng-Yen Liang) <u>Independent Directors:</u> Yen Wang, Tu-Hsin Yang, and Cheng-Feng Cheng	<u>Directors:</u> Ken-Chen Chen, Ho-Pin Lin, Hsi-Neng Hsieh, and Uei-Want Industrial Co., Ltd. (representative: Cheng-Yen Liang) <u>Independent Directors:</u> Yen Wang, Tu-Hsin Yang, and Cheng-Feng Cheng
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	—	—	—	—
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	—	—	<u>Chairman:</u> Ah-Ming Chen	<u>Chairman:</u> Ah-Ming Chen
NT\$3,500,000 (inclusive) - NT\$5,000,000 (non-inclusive)	—	—	—	—
NT\$5,000,000 (inclusive) - NT\$10,000,000 (non-inclusive)	—	—	<u>Chairman:</u> Chung-Tang Chang	<u>Chairman:</u> Chung-Tang Chang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	—	—	—	—

NT\$15,000,000 (inclusive) - NT\$30,000,000 (non-inclusive)	—	—	—	—
NT\$30,000,000 (inclusive) - NT\$50,000,000 (non-inclusive)	—	—	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000 (non-inclusive)	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	9 individuals	9 individuals	9 individuals	9 individuals

(II) Remuneration to President and Vice Presidents

Unit: NTD thousands

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C) (Note 1)		Employee remuneration (D)				The sum of A, B, C, and D as a percentage of net income after tax (%)		Compensation from business investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
President	Yu-Chuan Hsu	11,309	11,669	292	308	3,217	3,271	—	—	—	—	14,818 2,329.87%	15,248 2,397.48%	None
CSO	Chung-Tang Chang													
Vice President	Ah-Ming Chen													
Vice President	Min-Chu Lin													

Note 1: Various bonuses, incentives, traffic allowances, special disbursements, benefits, payment in kind such as dormitories, company cars and other compensations.

Range of compensation to President and vice presidents of the Company	<u>Compensation range</u>	
	Name of President and vice presidents	
	The Company	All companies included in the financial statements
Below NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	Min-Chu Lin	—
NT\$2,000,000 (inclusive) - NT\$3,500,000 (non-inclusive)	Yu-Chuan Hsu, Ah-Ming Chen	Min-Chu Lin, Yu-Chuan Hsu, Ah-Ming Chen
NT\$3,500,000 (inclusive) - NT\$5,000,000 (non-inclusive)	—	—
NT\$5,000,000 (inclusive) - NT\$10,000,000 (non-inclusive)	Chung-Tang Chang	Chung-Tang Chang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	—	—
NT\$15,000,000 (inclusive) - NT\$30,000,000 (non-inclusive)	—	—
NT\$30,000,000 (inclusive) - NT\$50,000,000 (non-inclusive)	—	—
NT\$50,000,000 (inclusive) - NT\$100,000,000 (non-inclusive)	—	—
NT\$100,000,000 and above	—	—
Total	4 individuals	4 individuals

(III) Names of managers who received employee remuneration and distribution in 2023

Unit: NTD thousands

	Title	Name	Amount paid in shares (Note)	Amount paid in cash (Note)	Total	Total as a percentage of net income (%)
Managers	President	Yu-Chuan Hsu	—	—	—	—
	CSO	Chung-Tang Chang				
	Vice President	Ah-Ming Chen				
	Vice President	Min-Chu Lin				
	Assistant Vice President	Chun-Han Li				
	Assistant Vice President	Chien-Chung Ko				

(Note) No employee remuneration was distributed due to loss before tax in 2023.

(IV) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective percentages to standalone or separate net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

1. Percentage (%) of standalone or separate net income paid by the Company and all companies included in the consolidated financial statements as compensation to the Company's directors, President, and vice presidents in the last 2 years

Item	The Company				From All Consolidated Entities			
	2022		2023		2022		2023	
Title	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax	Total	As a percentage of net income after tax
Directors' remuneration	21,489	8.15%	10,488	1649.06%	21,506	8.15%	10,499	1650.79%
Remuneration to President and Vice Presidents	18,755	7.11%	14,818	2311.01%	19,175	7.27%	15,248	2397.48%
Net income after taxes	263,739	—	636	—	263,739	—	636	—

The decrease in remuneration to directors for 2023 was mainly due to the decrease in net income after tax in 2023; the decrease in remuneration to the President and Vice-Presidents was mainly due to the decrease in bonuses.

2. Compensation policies, standards, packages and procedures, and association with future risks and business performance

- (1) Director remuneration includes traffic allowances and director emoluments. (A) traffic allowances: based on industry practice and according to the number of board

meeting attendances; (B) director emoluments: no higher than 3% of annual profits allocated as director emoluments according to Article 30 of the Company's Articles of Incorporation. Distribution of director remuneration is subject to resolution in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors. This decision must also be reported in shareholder meeting. Directors who hold concurrent employment positions are also entitled to the compensations described in (2) and (3) below.

- (2) Appointment, dismissal, and compensation of the Company's President and vice presidents are executed according to company policies. Compensation standards are determined by the Human Resources Department based on performance evaluation rules after taking into account individual performance, contribution to the Company's operations, and peer levels. These standards are subject to Remuneration Committee's review and board of directors' approval before execution.
- (3) The Company's compensation policy aims to compensate individual employees for their professional capacity, contribution, and performance in a manner that is positively correlated with operational performance. Given that the Company has adopted appropriate control over future risks, there is certain association between the compensation policy and future risks. Employees' compensation comprises three main components: basic salary, bonus and remuneration, and benefits. Basic salary is determined according to company policies after taking into consideration the employee's job role and market competition; bonus and remuneration are associated with the accomplishment of individual and department goals and the Company's overall performance; lastly, benefits are designed to cater for employees' needs subject to compliance with laws, which are uniform across employees.

IV. Corporate governance

(I) Functionality of the board of directors

(1) Functionality of the board of directors

Six (A) board meetings were convened during the most recent year. The attendance of directors is as follows:

Title	Name	Actual Attendance in Person, B	No. of proxy attendance	Rate of actual presence (attendance) (%) [B/A] (Note)	Remarks
Chairman	Chung-Tang Chang	6	0	100%	—
Vice Chairman	Ah-Ming Chen	6	0	100%	—
Director	Hsi-Neng Hsieh	5	1	83%	—
Director	Ken-Chen Chen	5	1	83%	—
Director	Ho-Pin Lin	5	0	83%	—
Director	Representative of Uei-Want Industrial Co., Ltd.: Cheng-Yen Liang	6	0	100%	—
Independent Director	Tu-Hsin Yang	6	0	100%	—
Independent Director	Yen Wang	6	0	100%	—
Independent Director	Cheng-Feng Cheng	6	0	100%	—

Note: Calculated based on the number of board of directors meetings held and in-person attendance during active duty.

Other mandatory disclosures:

I. For board of directors meeting that meets any of the following descriptions, state the date, session, the discussed motion, independent directors' opinions and how the Company responded to such opinions:

(I) Conditions described in Article 14-3 of the Securities and Exchange Act.

(II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

Board of directors	Motion details and subsequent actions taken	Conditions described in Article 14-3 of the Securities and Exchange Act	Objections or reservations from independent directors

1st board meeting in 2023 January 17, 2023	1. Matters reviewed by the first Remuneration Committee meeting in 2023	V	-	
	2. Consolidation of 100% owned investee - SHUANG BANG INDUSTRIAL CORP.(BVI), the merger agreement added the signing of representatives of independent directors			
	Independent directors' opinions: None			
	Company's response to independent directors' opinions: None			
Resolution: Motion 1: Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen recused due to the personal stakes involved, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang. Motion 2: Unanimous vote by all present directors to approve the motion after the chairperson consulted with the board.				
2nd board meeting in 2023 March 17, 2023	1. The Company's subsidiary Shoetex Corporation issued new shares for cash	V	-	
	2. Appointment of directors for subsidiaries to represent the Company.			
	Independent directors' opinions: None			
	Company's response to independent directors' opinions: None			
Resolution: Motion 1: Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen recused themselves due to that they are the Chairman and director of Shoetex, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang. Motion 2: Chairman Chung-Tang Chang and Vice- Chairman Ah-Ming Chen recused due to the personal stakes involved, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang.				
3rd board meeting in 2023 May 12, 2023	1. Matters reviewed by the third Remuneration Committee meeting in 2023	V	-	
	2. Amendment to the Company's internal control system and internal audit system.			
	Independent directors' opinions: None			
	Company's response to independent directors' opinions: None			
Resolution: Motion 1: Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen recused due to the personal stakes involved, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang.				

	Motion 2: Unanimous vote by all present directors to approve the motion after the chairperson consulted with the board.		
6th board meeting in 2023 November 10, 2023	1. Appointment of and compensation to CPAs in 2023	V	-
	2. Appointment of members of the Company's first session of Nomination Committee	V	-
	3. Appointment of members of the Company's first session of Risk Management Committee	V	-
	4. Amendments to the Company's internal control system	V	-
Independent directors' opinions: None			
Company's response to independent directors' opinions: None			
Resolution: Motion 1 and 4: Unanimous vote by all present directors to approve the motions after the chairperson consulted with the board. Motion 2 and 3: Three independent directors, namely Yen Wang, Tu-Hsin Yang and Cheng-Feng Cheng recused themselves from voting due to conflict of interest as nominees, and the motion was approved after the chairperson consulted with the board.			

(2) Execution of board performance evaluation

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	January 1, 2023 to December 31, 2023	Board of directors	Board of directors internal self-evaluation	<ol style="list-style-type: none"> 1. Level of participation in the Company's operations 2. Improvement of board decision quality 3. Composition of the board of directors 4. Election and continuing education of directors 5. Internal control
Once a year	January 1, 2023 to December 31, 2023	Each individual director	Self-evaluation of each board member	<ol style="list-style-type: none"> 1. Understand the objectives and missions of the Company 2. Understanding of directors' job responsibilities 3. Participation in the operation of the company 4. Internal relationship management and communication 5. Specialization and continuous education of directors 6. Internal control
Once a year	January 1, 2023 to December 31, 2023	Each functional committee	Self-evaluation of each functional committee member	<ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Understanding of functional committee's job responsibilities 3. Improvement of the quality of the functional committee' decision making 4. Makeup of the functional committees and election of members 5. Internal control

The results of the 2023 board performance assessments are between five points “strongly agree” and four points “agree”. Directors mostly thought positively of the performance of assessment indicators. The assessment found the Board of Directors and functional committees performed well, in adherence to corporate governance requirements. The board functions were effectively strengthened and shareholders’ rights were protected.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

1. 1st board meeting in 2023:

Subject: Review of managers' 2022 year-end bonus during the first Remuneration Committee meeting in 2023

Resolution: Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen recused themselves due to that they have job positions in the Company, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang.

2. 2nd meeting of the Board in 2023:

Motion 1: The Company's subsidiary Shoetex Corporation issued new shares for cash.

Resolution: Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen recused themselves due to that they are the Chairman and director of Shoetex, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang. The capital is increased based on the shareholding proportion. If there is a shortfall in the subscription for the capital increase, the Company may subscribe to the shares. Chairman Chang is authorized to handle relevant matters.

Motion 2: Appointment of directors for subsidiaries to represent the Company.

3. 3rd board meeting in 2023

Subject: Review of 2022 remuneration to directors, managers and employees and 2022 distribution of bonuses to managers during the third meeting of the Remuneration Committee held in 2023.

Resolution: Chairman Chung-Tang Chang and Director Ah-Ming Chen recused due to the personal stakes involved, and the motion was passed as proposed by the remaining attending directors when inquired by Director Yen Wang, who served as the acting chair.

4. 6th board meeting in 2023

Subject 1: Appointment of members of the Company's first session of Nomination Committee.

Resolution: Three independent directors, namely Yen Wang, Tu-Hsin Yang and Cheng-Feng Cheng recused themselves from voting due to conflict of interest as nominees, and the motion was approved after the unanimous voting by all present directors in the meeting.

Motion 2: Appointment of members of the Company's first session of Risk Management Committee

Resolution: Three independent directors, namely Yen Wang, Tu-Hsin Yang and Cheng-Feng Cheng recused themselves from voting due to conflict

of interest as nominees, and the motion was approved after the unanimous voting by all present directors in the meeting.

- III. Enhancements to the functionality of board of directors in the current and most recent year:
1. The Company established the Audit Committee in 2021, and the Nomination Committee and the Risk Management Committee in 2023.
 2. Significant attention has been placed on board members' diversity in addition to the knowledge, skills, and professional backgrounds needed to perform duties. Directors' knowledge and business judgments have contributed significantly to the Company's operating strategies.
 3. The board of directors held six meetings in 2023, in adherence to requirements set in the Rule of Procedures for Board Meetings for at least one meeting per quarter. Important proposals have been disclosed on Market Observation Post System and over the Company's website for information transparency.
 4. With a robust board governance system, the Company has duly made public and transparent disclosures of relevant information.

(II) Operations of the Audit Committee

1. A total of five Audit Committee meetings (A) were held during the last year. Attendance records of independent directors are summarized below:

Title	Name	Attendance No. of times (B)	No. of proxy attendance	In-person attendance rate (B/A) (%)	Remarks
Independent Director	Yen Wang	5	0	100%	-
Independent Director	Tu-Hsin Yang	5	0	100%	-
Independent Director	Cheng- Feng Cheng	5	0	100%	-

Other mandatory disclosures:

- I. For Audit Committee meetings that meet any of the following descriptions, details such as the date and session of Audit Committee meeting held, the motions discussed, independent directors' objections, reservations, or key recommendations, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions are disclosed in the chart below.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

Date of Remuneration Committee meeting	Motion details and subsequent actions taken
January 17, 2023	<p>1.1. Consolidation of 100% owned investee - SHUANG BANG INDUSTRIAL CORP.(BVI), the merger agreement added the signing of representatives of independent directors</p> <ul style="list-style-type: none"> ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously by attending directors as recommended by Audit Committee.
March 17, 2023	<p>1. The Company's 2022 Internal Control System Effectiveness Review and Declaration of Internal Control System</p> <p>2. The Company's 2022 financial statements and business report</p> <p>3. The Company's 2022 earnings distribution</p> <ul style="list-style-type: none"> ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously by attending directors as recommended by Audit Committee.
May 12, 2023	<p>1. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to March 31, 2023</p> <p>2. Amendment to the Company's internal control system and internal audit system</p>

	<p>3. Formulate the general principles on the Policy for Pre-Approval of Non-assurance Services.</p> <p>4. Pre-approved tax service for standalone companies within the group structure</p>	
	<ul style="list-style-type: none"> ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously by attending directors as recommended by Audit Committee. 	
August 11, 2023	<p>1. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to June 30, 2023</p>	
	<ul style="list-style-type: none"> ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously by attending directors as recommended by Audit Committee. 	
November 10, 2023	<p>1. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to September 30, 2023</p> <p>2. The Company's 2024 audit plan</p> <p>3. CPA independence and suitability assessment</p> <p>4. Appointment of and compensation to CPAs in 2024</p> <p>5. Amendments to the Company's internal control system</p>	
	<ul style="list-style-type: none"> ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously by attending directors as recommended by Audit Committee. 	

(II) Other than those described above, any resolutions not approved by Audit Committee but resolved by more than two-thirds of directors: Not applicable.

II. Avoidance of involvements in interest-conflicting motions by independent directors, including details such as the name of independent director, the motion, the nature of conflicting interests, and involvement in the voting process: none.

III. Communication between independent directors and internal/external auditors (e.g. discussions concerning the Company's financial and business affairs, the major events, method of communication, and the outcome).

1. The Audit Committee convenes quarterly meetings, during which the Chief Internal Auditor would report to independent directors on the internal audit tasks performed as well as follow-ups on previous findings to keep independent directors informed on the Company's operations and internal control risks. Execution of internal audit and follow-up improvement of abnormal findings are discussed in board of directors meetings, and the board would supervise the internal audit unit to evaluate and investigate major issues for the risks involved. Communication between independent directors and the Chief Internal Auditor is considered fair.

2. The Audit Committee duly reviews quarterly financial statements and issues review reports on annual financial statements. Members of the committee are able to communicate with managers directly to clarify any issues and learn the state of the Company's operations.
3. Independent directors and the Chief Internal Auditor are invited to participate in every quarterly board of directors meeting. The Chief Internal Auditor reports the progress of internal audit tasks to the board of directors during quarterly meetings.
4. When reviewing annual financial statements, the Audit Committee would invite financial statement auditors to meetings to explain the preparation process, the issues encountered, and any updates in regulation. All related matters are adequately discussed with independent directors. Financial statement auditors are also invited to board meetings to explain and communicate with directors.
5. The Chief Internal Auditor, CPA, and independent directors are able to contact each other directly at any time using open communication channels.

■ Communication between independent directors and the Chief Internal Auditor

Date	Key points of communication	Execution progress
2023.03.17 Before Board meeting	The Company's 2023 Internal Control System Effectiveness Review and Declaration of Internal Control System	Passed review and reported in board of directors meeting afterwards
2023.11.10 Before Board meeting	Internal audit report and 2024 audit plan	Passed review and reported in board of directors meeting afterwards

■ Summary of communications between independent directors and external auditors

Date	Key points of communication	Execution progress
March 18, 2023	2022 parent company-only and consolidated financial statements	CPAs reported on the financial statements and discussed with independent directors on relevant issues. The financial statements passed review and were presented to the board of directors afterwards.
August 11, 2023	2023 Q2 consolidated financial statements	CPAs reported on the financial statements and discussed with independent directors on relevant issues. The financial statements passed review and were presented to the board of directors afterwards.
November 10, 2023	2023 Q3 consolidated financial statements	CPAs reported on the financial statements and

		discussed with independent directors on relevant issues. The financial statements passed review and were presented to the board of directors afterwards.
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IV. Work focus of the Audit Committee:

- (I) Establishment or amendment of internal control system according to Article 14-1 of the Securities and Exchange Act.
- (II) Evaluation on the effectiveness of internal control system.
- (III) Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, external party lending procedures, external party endorsement and guarantee procedures, and other procedures of major financial or business consequences according to Article 36-1 of the Securities and Exchange Act.
- (IV) Matters concerning directors' personal interests.
- (V) Major transaction of assets or derivatives.
- (VI) Major lending, endorsement or guarantee to an external party.
- (VII) Offering, issuance, or private placement of securities with equity characteristics.
- (VIII) Appointment, dismissal, or compensation of financial statement auditors.
- (IX) Appointment and dismissal of finance, accounting, or internal audit officers.
- (X) Annual financial reports signed or sealed by Chairman, manager and chief accounting officer.
- (XI) Other issues deemed material by the Company or the authority.

2. Supervisors' involvement in board of directors meetings

Note: On August 27, 2021, the Company established Audit Committee that comprises the entirety of independent directors, and at the same time abolished the supervisor system.

(III) Deviation and causes of deviation from Corporate Governance Best Practice Principles for
TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(I) The Company has implemented its own Corporate Governance Code of Conduct in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to regulate issues concerning shareholder protection, board of directors' authority, stakeholders' interests, and enhancement of information transparency. Details of the "Corporate Governance Code of Conduct" have been disclosed on Market Observation Post System and the corporate website.	No material deviation is found
II. Shareholding structure and shareholders' interests				
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	V		(I) The Company has implemented a spokesperson and acting spokesperson system, and engaged a stock transfer agent - "Capital Securities Corp." to handle shareholders' suggestions and disputes.	No material deviation is found
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Company and the stock transfer agent are regularly informed of the identities of the Company's major shareholders and the ultimate controller. Changes in the shareholding of insiders (including directors, managers, and shareholders with more than 10% ownership interest) are reported in a timely manner and in accordance with the Securities and Exchange Act. These practices help ensure stability of the management.	No material deviation is found
(III) Has the Company established and implemented risk management practices	V		(III) The Company has established the "Rules Governing Financial and Business Matters Between this Corporation and its	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>and firewalls for companies it is affiliated with?</p> <p>(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?</p>	V		<p>Affiliated Enterprises" to regulate matters such as purchase and sale transactions, acquisition or disposal of assets endorsement guarantees, and loans between the Company's affiliates. The Company has also has established the "Regulations Governing the Supervision and Management of Subsidiaries" to strengthen the control and supervision over the subsidiaries' operating risks.</p> <p>(IV) The Company has "Material Insider Information Handling Procedures" in place that prohibit insiders from trading securities against non-public information.</p>	No material deviation is found
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors have a diversity policy and management goals that are duly enforced?</p> <p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools for evaluating board</p>	V	V	<p>(I) 1. According to the Company's Corporate Governance Code of Conduct and Director Election Procedures, board members should be diversified and possess the knowledge, skills, and characters needed to perform duties. (Note 1)</p> <p>2. Among the 9 members of the current board, one of who possesses professional background in commerce and accounting.</p> <p>(II) On November 10, 2023, the Company's Board of Directors approved the establishment of a "Nomination Committee" and a "Risk Management Committee." Other corporate governance operations are handled by respective departments according to their responsibilities. The Company will evaluate the need to establish other functional</p>	<p>No material deviation is found</p> <p>No material deviation is found.</p> <p>No material deviation is found.</p>

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration, and nomination decisions?			<p>committees as necessary in the future</p> <p>(III) The board approved the Board Performance Appraisal Measures on March 27, 2020, which require the board to conduct at least one performance appraisal of the board as a whole, board members, Remuneration Committee and Audit Committee per year. The internal performance evaluation shall be conducted in accordance with these Measures at the end of each year. The measurements of the Company's board performance appraisal include the following five aspects: (1) Participation in the operation of the company. (2) Improvement of the quality of the board of directors' decision making. (3) Composition and structure of the board of directors. (4) Election and continuing education of the directors. (5) Internal control. The measurement items for the performance evaluation of directors include the following matters: (1) Understand the objectives and missions of the Company. (2) Understanding of directors' job responsibilities. (3) Participation in the operation of the Company. (4) Internal relationship management and communication. (5) Specialization and continuing education of directors. (6) Internal control. The measurements of the Company's functional committee performance appraisal include the following aspects: (1) Participation in the operation of the company. (2) Understanding of functional committee's job responsibilities. (3) improvement</p>	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Are external auditors' independence assessed on a regular basis?	V		<p>of quality of decisions made by the functional committee; (4) Makeup of the functional committees and election of its members, (5) Internal control. Carried out by the corporate governance unit and is conducted using an internal questionnaire. There are three parts, board operations, directors' participation, and functional committees, which involve directors evaluating the board operations, directors evaluating their own participation, and functional committee members evaluating the committee operations. The results of the above performance evaluation will be used as a reference for the selection or nomination of directors. Once the questionnaires are fully recovered in January of each year, the Company's corporate governance unit will analyze them and report the results to the Board of Directors in accordance with the aforementioned procedures, and propose measures for improvement based on the suggestions from the directors. The Company completed the performance evaluation of the Board of Directors, Board members, and functional committees in January 2024, and reported the evaluation results and the direction of continuous improvement for the next year at the board meeting held on March 12, 2024. This year's evaluation score is between 4.6 and 4.88, which is considered good.</p> <p>(VI) 1. According to Article 29 of the Company's Corporate Governance Practical</p>	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Guidelines, the Company should assess the suitability and independence of CPAs each year and present the results to the Board of Directors.</p> <p>2. The Company has completed the review and assessment of the suitability and independence of CPAs for 2023. On November 11, 2023, Audit Committee and the Board of Directors approved the review and assessment of the suitability and independence of CPAs. Please refer to Note 2 for the review content.</p>	
<p>IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?</p>	V		<p>On November 6, 2020, the board of directors passed a resolution to appoint the head of finance as the Company's Corporate Governance Officer. The candidate meets the regulatory requirements of having served managerial role in legal, financial, shareholder service, or corporate governance affairs in a public company for at least 3 years.</p> <p><u>Responsibilities of the Corporate Governance Officer are as follows:</u></p> <p>Execution of corporate governance tasks, including: organization of board of directors meetings and annual general meetings; preparation of board meeting and shareholder meeting minutes; change of company registration; regular review and amendment of the Company's Corporate Governance Code of Conduct; providing directors and members of the Audit Committee and Remuneration Committee with the information needed to perform duties; compliance; enhancement of information transparency; shareholders' protection; and</p>	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			enforcement of sound corporate governance practices.	
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		1. The Company handles relationship with external parties and stakeholders through dedicated officers, email (contact@sbinet.com.tw), and the stock transfer agent - "Capital Securities Corp." 2. Material information concerning financial performance, business performance, and corporate governance and the annual report have been disclosed on Market Observation Post System (http://newmops.tse.com.tw/) and the corporate website (http://www.sbinet.com.tw).	No material deviation is found.
VI. Does the Company engage a stock transfer agent to handle shareholder meeting affairs?	V		The Company has commissioned the professional shareholder service agent, "Capital Securities Corporation", to handle shareholder meetings and shareholder services.	No material deviation is found.
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information? (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)? (III) Does the Company publish and make official filing of annual financial report within two months after the end of an	V V V		(I) The Company has created its own website, and makes timely disclosure of financial, business, and corporate governance information on Market Observation Post System as well as the corporate website as required by laws. (II) The Company has appointed personnel to collect corporate information and handle disclosure and implemented the spokesperson system. (III) The Company completed financial statements and monthly operation numbers before	No material deviation is found. No material deviation is found. No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?			deadlines but did not publish earlier.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	V		<ol style="list-style-type: none"> 1. Purchase of liability insurance for directors: Insurance coverage has been arranged to allow individual and cumulative claims up to NT\$150 million. 2. Employee rights: The Company protects employees' rightful interests in accordance with the Labor Standards Act. 3. Employee care: The Company provides employees with comprehensive benefits and training (such as group trips and health checkups), and places great emphasis on building mutual trust. 4. Investor relations: A spokesperson, acting spokesperson, and shareholder service unit have been designated to handle shareholders' suggestions. 5. Supplier relations: The Company evaluates suppliers on a regular basis, and engages them in bilateral communication to maintain productive relationship. 6. Stakeholders' rights: <ol style="list-style-type: none"> (1) The Company handles relationship with external parties and stakeholders through dedicated officers, email, and the stock transfer agent - "Capital Securities Corp." (2) The Company complies with rules and discloses financial, business, and corporate governance information on Market Observation Post System (http://www.newmops.tse.com.tw) and the corporate website (http://www.sbinet.com.tw). 7. Ongoing education for directors: Please see page 61 of this annual 	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>report for details of ongoing education for directors.</p> <p>8. Risk management policies, practices, and risk assessment standards: The Company has implemented a "Risk Management Policy" to provide guidance over risk management and risk assessment practices.</p> <p>9. Execution of customer policy: The Company maintains strong and profitable relationship with all its customers.</p>	
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the Company is not one of the evaluated subjects.)</p> <p>In 2023, the Company has corrected the deficiencies of corporate governance in the past: Uploading the English version of the meeting notice, meeting handbook, annual report and English version of the financial statements.</p>				

Note 1: The Company has a set of "Corporate Governance Code of Conduct" that outlines diversity requirements for board members. Details and execution of the diversity policy are explained below:

Article 20

Board of directors of the Company shall provide guidance over corporate strategies, supervise the management, and be held responsible to the Company and its shareholders. The Company shall adopt various processes and arrangements as part of its corporate governance system to ensure that the board of directors performs duties in accordance with laws, the Articles of Incorporation, and shareholders' resolutions.

The structure of the Company's board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

Board members should be diversified in a manner that supports the Company's operations, business activities, and growth requirements, provided that the number of directors who concurrently hold managerial positions do not exceed one-third of the board. The diversification policy should include, but is not limited to, the following two principles:

- I. Background and value: Gender, age, nationality, culture etc. At least one-third of the number of directors should be female.
- II. Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

All board members shall possess the knowledge, skills, and characters needed to exercise their duties. For ideal corporate governance, the board of directors as a whole shall possess the following capacities:

- I. Operational judgment.
- II. Accounting and financial analysis.
- III. Business administration.
- IV. Crisis management.
- V. Industry knowledge.
- VI. International market perspective.
- VII. Leadership.
- VIII. Decision making.

Note 2: Assessment criteria for CPAs' independence

Serial No.	Assessment criteria	Assessment outcome	Whether compliant with the independence criteria
1.	Whether the CPAs and family members thereof hold any direct or indirect financial interest of great significance in the Company	No	Yes
2.	Whether the CPAs and family members thereof have any business relationship with the Company or the Company's directors, supervisors, or managers that may affect independence.	No	Yes
3.	Whether the CPAs serve as the Company's director, supervisor, manager, or any position that has material influence on audit activities, whether currently or at any time in the last two years, or make commitment to undertake such position in the future.	No	Yes
4.	The CPAs and family members thereof did not serve as the Company's director, supervisor, manager, or hold any position that had direct and material influence on audit activities during the audit period.	No	Yes
5.	Whether the CPAs had any relationship characterized as direct blood relative, direct relative by affinity, or collateral blood relative of second degree or closer with any of the Company's directors, supervisors, or managers during the audit period.	No	Yes
6.	Whether the CPAs had any close relative serving as the Company's director, supervisor, manager, or any position that had direct and significant effect on audit tasks during the audit period, and if so, whether the breach of independence has been reduced to an acceptable level.	No	Yes
7.	Whether CPAs receive gifts of significant value (exceeding the customary standard) from the Company or its directors, supervisors, managers, or major shareholders.	No	Yes

(IV) Disclose the composition, duties, and functioning of remuneration committee or nomination committee, if available:

1. Information of Remuneration Committee members

Status (Note 1)	Name	Criteria Professional qualification and experience (Note 2)	Independence criteria (Note 3)	Number of concurrent positions as independent director in other public companies
Independent Director (Convener)	Yen Wang	<ol style="list-style-type: none"> Possesses financial, accounting, and legal knowledge and risk management, crisis management, leadership, and decision-making skills. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. Former: Associate Professor of Finance at Chaoyang University of Technology; Team Leader of Trading Department, Taiwan Stock Exchange Corporation; Researcher, University of Minnesota. 	<p>The three directors on the left:</p> <ol style="list-style-type: none"> All satisfied the independence criteria required of independent directors. Completely satisfied the independence criteria: <ol style="list-style-type: none"> None of the individual, spouse, and 2nd-degree relatives or closer serve as director, supervisor, or employee in the Company or any of its related enterprises. Percentage of the Company's shares held in the name of self, spouse, or 2nd-degree relatives or closer: Tu-Hsin Yang, Yen Wang: 0%. Cheng-Feng Cheng: 97,270 shares, 0.12% Did not serve as director, supervisor, or employee in any entity that had certain relationship with the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange"). Did not receive compensation from the Company or its affiliated enterprises for commercial, legal, financial, or accounting services in the last two years. 	None
Independent Director	Tu-Hsin Yang	<ol style="list-style-type: none"> Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. Former: Professor of Chemistry, National Chung Hsing University. 		None
Independent Director	Cheng-Feng Cheng	<ol style="list-style-type: none"> Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills. Current: Independent Director, Audit Committee member, and Remuneration Committee member of the Company. Former: Professor of Chemistry, National Chung Hsing University; Vice President of National Chung Hsing University. 		None

Note 1: Years of work experience, professional qualification, experience, and independence of Remuneration Committee members are explained in the chart; the role of each member is specified as Independent Director or Others (if Convener, please add a note).

Note 2: **Professional qualification and experience:** Professional qualification and experience for each member of the Remuneration Committee is explained.

Note 3: **Compliance of independence:** Independence of Remuneration Committee members is evaluated using several criteria including but not limited to: whether they or their spouse or 2nd-degree relatives or closer serve as director, supervisor, or employee in the Company or any of its related businesses; the number and percentage of Company shares held in their own names or names of spouse, 2nd-degree

relative or closer (or proxy shareholder); whether they serve as director, supervisor, or employee in any entity that has certain relationship with the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of compensation received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its related businesses.

2. Duties of the Remuneration Committee

- (1) The "Remuneration Committee" exists to assist the board of directors in the execution and evaluation the Company's overall compensation and welfare policies, as well as managers' compensation.
- (2) Please visit the corporate website for more details on the Remuneration Committee Charter.

3. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises 3 members.
- (2) Duration of service: from August 27, 2021 to August 26, 2024 (same as the current board of directors). The Remuneration Committee held 4 meetings (A) in the last year; details of members' eligibility and attendance are as follows:

Title	Name	No. of in-person attendance (B)	No. of proxy attendance	In-person attendance rate (%) (B/A) (Note 1)	Remarks
Convener	Yen Wang	3	0	100%	
Committee member	Tu-Hsin Yang	3	0	100%	
Committee member	Cheng-Feng Cheng	3	0	100%	

Other mandatory disclosures:

- (1) If the Board of Directors refuses or amend Remuneration Committee's proposal, it is necessary to describe the board meeting date, session, agenda, the board's resolution, and the Company's response to Remuneration Committee's proposal. (If the remuneration approved by the Board of Directors is better than what was suggested by Remuneration Committee, it is necessary to describe the difference and the reason for such a difference.): The Board of Directors did not reject or amend any suggestion from Remuneration Committee in 2023.
- (2) If any member raised objection or expressed reservations to the resolution by Remuneration Committee and such opinions were on record or in writing, please describe the date and session of the Remuneration Committee meeting, details of the motion, opinions from all members and how these opinions were addressed: No member expressed objection or reservation to any of the resolutions of the Remuneration Committee in 2023.
- (3) Discussions and resolutions of Remuneration Committee and the Company's response to members' opinions:

Date of Remuneration Committee meeting	Motion details and subsequent actions taken
January 9, 2023	1. 2022 managers' performance appraisal and year-end bonus distribution 2. Performance appraisal and year-end bonus distribution for the head of internal audit 3. 2023 work plan for Remuneration Committee ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: Except for motion #1 where Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen had recused from discussion and voting due to the personal stakes involved for assuming concurrent position as CSO and Vice President, respectively, all motions were passed unanimously as recommended by the Remuneration Committee without objection from attending directors.
March 9, 2023	2022 remuneration to directors and employees ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: All motions were passed unanimously as recommended by the Remuneration Committee without objection from attending directors.
May 2, 2023	1. Details of 2022 remuneration to directors, managers and employees 2. Distribution of 2022 bonuses to managers and management associates ■ Resolution: Passed unanimously by all attending members. ■ Company's response to committee's opinions: Except for motions #1 and #2 where Chairman Chung-Tang Chang and Vice Chairman Ah-Ming Chen as CSO and Vice President, respectively, recused from discussion and voting due to the personal stakes involved, all motions were passed unanimously by attending directors as recommended by Remuneration Committee.

2. Risk Management Committee

(1) Information on Risk Management Committee:

Title	Name	Expertise
Independent Director (Convener)	Yen Wang	Possesses financial, accounting, and legal knowledge and risk management, crisis management, leadership, and decision-making skills.
Independent Director	Tu-Hsin Yang	Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills.
Independent Director	Cheng-Feng Cheng	Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills.

The Company's Risk Management Committee consists of three independent directors. The term of office of the current committee members: November 10, 2023 to August 26, 2024.

(2) Duties of the Committee:

The duties and roles of the Risk Management Committee are as follows:

- I. Review the risk management policies, procedures and framework, and review their applicability and implementation effectiveness on a regular basis.
- II. Determine risk appetite (risk tolerance) and guide resource allocation.
- III. Ensure that the risk management measures can adequately address the risks faced by the Company and are integrated into the daily operating procedures.
- IV. Approval of risk management priorities and risk levels.
- V. Review the implementation of risk management, propose necessary improvements, and report them to the Board of Directors on a regular basis (at least once a year).
- VI. Carry out the risk management decisions of the board.

(3) Meeting status:

A total of 1 meeting was held in 2023, and all members attended the meeting in person, with an average attendance rate of 100%.

Date	Motion details and subsequent actions taken	Resolutions
First meeting of 2023 on 2023.11.10	1. Nomination of the convener of the Risk Management Committee.	Unanimous approval by all committee members.
	2. Establishment of a risk management promotion team and an executive secretary.	

3. Nomination Committee

(1) Information on Nomination Committee:

Title	Name	Expertise
Independent Director (Convener)	Yen Wang	Possesses financial, accounting, and legal knowledge and risk management, crisis management, leadership, and decision-making skills.
Independent Director	Tu-Hsin Yang	Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills.
Independent Director	Cheng-Feng Cheng	Possesses knowledge of the chemical industry and risk management, crisis management, leadership, and decision-making skills.

The Company's Nomination Committee consists of three independent directors.
The term of office of the current committee members: November 10, 2023 to August 26, 2024.

(2) Duties of the Committee:

Under the authorization of the board of directors, The Committee shall fulfill duty of care to faithfully perform the following duties and present its recommendations to the board of directors for discussion:

- I. Specify the standards of professional knowledge, skills, experience, gender and independence required for board members and senior managers, and search, review and nominate candidates for directors and senior managers accordingly.
- II. Construct and develop the organizational structure of the board and committees, conduct performance appraisal of the board, committees, directors and senior managers, and assess the independence of independent directors.

(3) Meeting status:

As of the date of preparation of the annual report, one meeting was convened. All committee members were present in person, with an attendance rate of 100%.

Date	Motion details and subsequent actions taken	Resolutions
March 12, 2024	1. Performance evaluations of the Board of Directors, the functional committees and managers for 2023.	Unanimous approval by all committee members.
	2. Re-election of directors at the 2024 annual general meeting, and review of the composition of director candidates.	

(V) Sustainable development practices; deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>I. Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress? (TWSE/TPEX-listed companies should describe the implementation status - not “comply or explain”)</p>	V		<p>1. The Company's governance structure for promoting sustainability has the President as the chairperson of the "Sustainable Committee", and the head of the Management Department is the executive secretary. The members of the committee include the top officers of relevant units, and they report to the board at least once a year on the promotion of sustainability. and are supervised by the board.</p> <p>2. Implementation:</p> <p>(1) The Company established the "Corporate Social Responsibility Implementation Committee" in 2014, and renamed it as "Sustainability Committee" on November 10, 2022 by the board resolution.</p> <p>(2) Composition of units that promote sustainability: The Committee is divided into teams responsible for corporate governance, customer and partnership, sustainable environment, employee care and social welfare. Committee members include the top executives of relevant units.</p> <p>(3) Results of promotion of sustainability - Members of each teams are responsible for the implementation and supervision of ESG goals, and the preparation of ESG reports to ensure that the organization complies with international ESG trends and regulations. The Management Department has reported the 2023 implementation results to the board of directors on the</p>	No material deviation is found

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Company's sustainable development on November 10, 2023.</p> <p>3. Supervision by the Board of Directors: The Management Department reports to the Board of Directors on the Company's sustainability issues and implementation results, and the Board of Directors provides guidance and suggests sustainable development plans. The Company's "2022 ESG Report" was approved by the Board of Directors on June 20, 2023, and published on the Company's website. The "2023 ESG Report" is expected to be released in June 2024.</p>	
<p>II. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (TWSE/TPEX-listed companies should describe the implementation status - not "comply or explain")</p>	V V		<p>1. Boundary of risk assessment: The Company is the main boundary of risk assessment. Other subsidiaries have not been included in the scope of evaluation due to their small scale of operation.</p> <p>2. The Sustainability Committee conducts analysis based on the principle of materiality of the Sustainability Report to communicates with internal and external stakeholders, and reviews the evaluation data of various segments to evaluate the materiality of ESG issues, formulate risk management policies for effective identification, measurement, monitoring and control and take specific action plans to reduce the impact of related risks.</p> <p>3. Based on the assessed risks, formulate relevant risk management policies or strategies as follows: Environment: The Company passed the ISO 14001 environmental management system certification in 2015, and obtains certification on a regular basis (currently, the certification</p>	No material deviation is found

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>validity period is 2022/01 - 2025/01). The Company has obtained certification of various environmental protection standards such as REACH, RoHS®, OEKO-TEX®, bluesign®, GRS standards, etc., and updates the information on prohibited substances from time to time. The raw materials and materials on the list are replaced with non-listed substances that are friendly to human body and the environment. The Company also actively develops new water-based eco-friendly products to replace existing products and reduce the impact of products on the environment.</p> <p>Society:</p> <p>(1) Occupational safety: The Company has established a safety and health unit responsible for identifying, assessing, and controlling the work environment and occupational hazards in order to provide a safe and healthy work environment for workers. Runs regular fire drills and industrial safety education and training sessions every year to cultivate employees' capability to respond to emergencies and self-directed safety management.</p> <p>(2) Product safety: To ensure that products comply with various environmental standards, the Company has obtained REACH, RoHS®, OEKO-TEX®, bluesign®, GRS and other environmental certifications. To ensure the quality of customer service, the Company conducts customer service satisfaction surveys on a regular basis to strengthen the collaborative relationship with customers.</p>	

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Corporate governance:</p> <p>(1) Socioeconomic and regulatory compliance: Establish and implement internal control measures to ensure that the Company's personnel and operations comply with relevant laws and regulations.</p> <p>(2) Strengthen the functions of directors: Plan topics for directors' continuing education and provide the latest regulations. Cover the Company's directors under liability insurance to protect them from lawsuits or claims</p> <p>(3) Stakeholder communication: Establish various communication channels for active communication. The spokesperson is responsible for responding to messages in the Investor Mailbox.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	V		<p>(I) The Company has established the "Environmental Management Policies," which describe targets and concrete plans for green innovative technologies. In addition, Plants 1 and 2 have both complied with the ISO 14001 requirements.</p> <p>(II) The Company has followed up on various environmental protection standards such as REACH, RoHS®, OEKO-TEX®, bluesign®, GRS standards, etc., and updates the information on prohibited substances from time to time. The raw materials and materials on the list are replaced with non-listed substances that are friendly to human body and the environment. The Company also actively develops new water-based eco-friendly products to replace existing products and reduce the impact of</p>	<p>No material deviation is found</p> <p>No material deviation is found</p>

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(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>products on the environment. The base year has been set in 2015, and the goal is to achieve an average annual electricity conservation of at least 1% between 2015 and 2024. Through the replacement of old equipment with high-efficiency equipment, Plant 1 and Plant 2 have achieved the following:</p> <p>Summary table of average power conservation achieve rate over the years</p> <table border="1"> <thead> <tr> <th colspan="4">Shuang-Bang Industrial Corp. Plant No. 1</th> <th colspan="4">Shuang-Bang Industrial Corp. Plant No. 2</th> </tr> <tr> <th>Year</th> <th>Annual power savings (kWh)</th> <th>Annual power consumption (kWh)</th> <th>Average annual power conservation achievement rate (%)</th> <th>Year</th> <th>Annual power savings (kWh)</th> <th>Annual power consumption (kWh)</th> <th>Average annual power conservation achievement rate (%)</th> </tr> </thead> <tbody> <tr><td>2015</td><td>227,760</td><td>9,347,800</td><td>2.38</td><td>2015</td><td>261,360</td><td>9,266,200</td><td>2.74</td></tr> <tr><td>2016</td><td>203,709</td><td>8,905,903</td><td>2.31</td><td>2016</td><td>115,104</td><td>9,483,600</td><td>1.97</td></tr> <tr><td>2017</td><td>87,705</td><td>8,724,200</td><td>1.89</td><td>2017</td><td>270,977</td><td>9,886,765</td><td>2.21</td></tr> <tr><td>2018</td><td>298,553</td><td>8,853,400</td><td>2.23</td><td>2018</td><td>108,050</td><td>10,366,545</td><td>1.90</td></tr> <tr><td>2019</td><td>65,566</td><td>8,718,388</td><td>1.94</td><td>2019</td><td>177,912</td><td>10,446,663</td><td>1.85</td></tr> <tr><td>2020</td><td>31,698</td><td>6,847,200</td><td>1.75</td><td>2020</td><td>127,080</td><td>10,279,000</td><td>1.74</td></tr> <tr><td>2021</td><td>189,841</td><td>8,649,800</td><td>1.81</td><td>2021</td><td>38,068</td><td>9,902,000</td><td>1.55</td></tr> <tr><td>2022</td><td>50,187</td><td>8,374,200</td><td>1.66</td><td>2022</td><td>22,641</td><td>11,296,400</td><td>1.37</td></tr> <tr><td>2023</td><td>40,878</td><td>7,185,600</td><td>1.56</td><td>2023</td><td>56,344</td><td>10,332,6..</td><td>1.27</td></tr> </tbody> </table>	Shuang-Bang Industrial Corp. Plant No. 1				Shuang-Bang Industrial Corp. Plant No. 2				Year	Annual power savings (kWh)	Annual power consumption (kWh)	Average annual power conservation achievement rate (%)	Year	Annual power savings (kWh)	Annual power consumption (kWh)	Average annual power conservation achievement rate (%)	2015	227,760	9,347,800	2.38	2015	261,360	9,266,200	2.74	2016	203,709	8,905,903	2.31	2016	115,104	9,483,600	1.97	2017	87,705	8,724,200	1.89	2017	270,977	9,886,765	2.21	2018	298,553	8,853,400	2.23	2018	108,050	10,366,545	1.90	2019	65,566	8,718,388	1.94	2019	177,912	10,446,663	1.85	2020	31,698	6,847,200	1.75	2020	127,080	10,279,000	1.74	2021	189,841	8,649,800	1.81	2021	38,068	9,902,000	1.55	2022	50,187	8,374,200	1.66	2022	22,641	11,296,400	1.37	2023	40,878	7,185,600	1.56	2023	56,344	10,332,6..	1.27	No material deviation is found
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(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	V		<p>(III) The Company has established the "Environmental Management Policy" in accordance with the "Taiwan 2050 Net Zero Emission" policy issued by the National Development Council and the requirements of the Financial Supervisory Commission, and implemented management and preventive measures in advance through risk assessments. At the same time, the Company will continue to promote the use of low-carbon fuels in production to reduce the effect of climate change. The details of which are disclosed in the Company's ESG report.</p> <p>(IV) The Company conducts annual greenhouse gas voluntary inventory operations on a regular basis. For greenhouse</p>	No material deviation is found																																																																																								

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			<p>gas reduction, the focus is on fuel switching and electricity, and the energy conservation team makes annual electricity-saving plans to promote and achieve carbon reduction.</p> <p>(1) Greenhouse gas inventory in the past two years (Shuang-Bang Plants No. 1 and No. 2):</p> <table border="1"> <thead> <tr> <th rowspan="2">Scope</th> <th rowspan="2">Type of emissions</th> <th colspan="2">Emission volume (tonnes)</th> </tr> <tr> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>Natural gas / coal / wood pellets / heavy oil</td> <td>14.05</td> <td>6.25</td> </tr> <tr> <td>Scope 2</td> <td>Electricity</td> <td>9.73</td> <td>8.79</td> </tr> <tr> <td colspan="2">Total emissions</td> <td>23.78</td> <td>15.04</td> </tr> </tbody> </table> <p>(2) Water consumption: The water source used by Plant No. 1 and No. 2 are tap water and groundwater. Tap water is mainly used for domestic purposes. Water used in the production process is treated groundwater before being used.</p> <table border="1"> <thead> <tr> <th>Item/Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Total water consumption (m3)</td> <td>24,322</td> <td>19,972</td> </tr> </tbody> </table> <p>(3) Waste: The waste generated from the Company's production processes are general and hazardous industrial waste. If waste can be reused, it will be given priority to be recycled. At the sources, we adopt use less, alternative or reduction approaches of substances with impact on the environment in order to achieve the goal of reduction from the source and further reduce waste. The industrial</p>	Scope	Type of emissions	Emission volume (tonnes)		2022	2023	Scope 1	Natural gas / coal / wood pellets / heavy oil	14.05	6.25	Scope 2	Electricity	9.73	8.79	Total emissions		23.78	15.04	Item/Year	2022	2023	Total water consumption (m3)	24,322	19,972	
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			<p>waste data of Plant 1 and Plant 2 in the past two years are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Type of waste</th> <th>Waste code</th> <th>Incineration</th> <th>Heat treatment</th> <th>Cleaning treatment</th> <th>Physical treatment</th> <th>In-house processing</th> <th>Re-use</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>General industrial waste</td> <td>Category D</td> <td>36.01</td> <td>908.6</td> <td>70.5</td> <td>177.4</td> <td>1333.5</td> <td>75.9</td> <td>2926.1</td> </tr> <tr> <td>General industrial waste</td> <td>Category R</td> <td>63.7</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>22419.4</td> <td>22483.1</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>Category B</td> <td>18.2</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>0.0</td> <td>18.2</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>Category C</td> <td>66.8</td> <td>17.3</td> <td>162.8</td> <td>0.0</td> <td>0.0</td> <td>345.6</td> <td>592.4</td> </tr> <tr> <td colspan="2">Total</td> <td>508.7</td> <td>925.9</td> <td>233.3</td> <td>177.4</td> <td>1333.5</td> <td>22840.9</td> <td></td> </tr> </tbody> </table> <p>(4) Other relevant environmental management policies are as follows:</p> <table border="1"> <thead> <tr> <th>Environmental management goals</th> <th>Description</th> <th>Objectives</th> <th>Result</th> <th>Management</th> </tr> </thead> <tbody> <tr> <td>Plant 1 increased the recycling of waste fabrics by 0.5%</td> <td>Part of the incineration waste D-0202 can be classified into R-0201 for reuse. Therefore, Plant No. 1 has strengthened its sorting and improved the recycling rate of waste R-0201 and R-0801 to reduce incineration.</td> <td><0.5%</td> <td><0.62%</td> <td>Goals achieved</td> </tr> <tr> <td>A company-wide plan to reduce carbon emissions by 30% within five years.</td> <td>Search for alternative fuels and reduce the use of fossil fuels</td> <td><30%</td> <td><65%</td> <td>Continuous improvement of equipment stability</td> </tr> <tr> <td>Factory-wide decrease by 0.3% General industrial waste</td> <td>D-1801 General Industrial Waste Reduction</td> <td><0.3%</td> <td><4.3%</td> <td>Goals achieved</td> </tr> </tbody> </table>	Type of waste	Waste code	Incineration	Heat treatment	Cleaning treatment	Physical treatment	In-house processing	Re-use	Total	General industrial waste	Category D	36.01	908.6	70.5	177.4	1333.5	75.9	2926.1	General industrial waste	Category R	63.7	0.0	0.0	0.0	0.0	22419.4	22483.1	Hazardous industrial waste	Category B	18.2	0.0	0.0	0.0	0.0	0.0	18.2	Hazardous industrial waste	Category C	66.8	17.3	162.8	0.0	0.0	345.6	592.4	Total		508.7	925.9	233.3	177.4	1333.5	22840.9		Environmental management goals	Description	Objectives	Result	Management	Plant 1 increased the recycling of waste fabrics by 0.5%	Part of the incineration waste D-0202 can be classified into R-0201 for reuse. Therefore, Plant No. 1 has strengthened its sorting and improved the recycling rate of waste R-0201 and R-0801 to reduce incineration.	<0.5%	<0.62%	Goals achieved	A company-wide plan to reduce carbon emissions by 30% within five years.	Search for alternative fuels and reduce the use of fossil fuels	<30%	<65%	Continuous improvement of equipment stability	Factory-wide decrease by 0.3% General industrial waste	D-1801 General Industrial Waste Reduction	<0.3%	<4.3%	Goals achieved	
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			Save 1% of water consumption	Reduce tap water consumption	<1%	<2.06%	Goals achieved									
IV. Social issues (I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(I) To fulfill our corporate social responsibility and protect the basic human rights of all employees and stakeholders, we follow the "United Nations Universal Declaration of Human Rights", "United Nations Global Compact," "United Nations Guiding Principles on Business and Human Rights," "International Labor Organization of the United Nations" and "Convention on the Rights of the Child" to establish the "Measures for Human Rights Management," so that we can treat internal and external members with equality and dignity and eliminate any acts of violation of human rights, and we have published the Company's human rights policy on our website. The Company's implementation of human rights management program in 2023 is described as follows: <table border="1" data-bbox="1003 1042 1688 1380"> <thead> <tr> <th>Management solutions</th> <th>Implementation in 2023</th> <th>Survey results</th> </tr> </thead> <tbody> <tr> <td>Ensuring equality at work</td> <td> 1. The Company prohibits unlawful discrimination and violation of the Employment Service Act. 2. Training for interviewers. </td> <td> 1. No internal complaints were received. 2. No penalty from the competent authority. </td> </tr> <tr> <td>Ban child labor</td> <td>1. During the interview, the</td> <td></td> </tr> </tbody> </table>				Management solutions	Implementation in 2023	Survey results	Ensuring equality at work	1. The Company prohibits unlawful discrimination and violation of the Employment Service Act. 2. Training for interviewers.	1. No internal complaints were received. 2. No penalty from the competent authority.	Ban child labor	1. During the interview, the		No material deviation is found No material deviation is found
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	Yes	No			
reasonable employee welfare measures(including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?				identity information will be verified. 2. When reporting for duty, identity information will be checked again.	
			Prohibition of forced labor	1. Encourage employees to take vacations. 2. Employees' identity information is not withheld.	
			Prevention of illegal infringement	1. Statement on anti-harassment in workplace. 2. Disseminate information on workplace bullying harassment.	
			(II) The Company has developed and implemented reasonable employee welfare measures, and takes the initiative to reflect business performance and outcome in employees' compensations: <u>Employees' compensation</u> : The Company adopts a production bonus system that allocates a certain percentage of monthly pre-tax profit into a dedicated reserve, and depending on current month's performance evaluation, this reserve is distributed to all employees as an incentive and reward for contributing to the common goals. Employee remuneration, as mentioned in the Articles of Incorporation, is calculated at 5%-10% of current year's profit.		
					No material deviation is found

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
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			<u>Employee welfare measures:</u> (1) Employees are entitled to special leave of absence and pension fund contributions under laws. An Employee Welfare Committee has been assembled to organize benefits and protect workers' rights. (2) In addition to mandatory Labor Insurance and National Health Insurance coverage, all employees are also covered by additional group insurance. (3) Employee health checkups are organized on a regular basis. (4) Customary cash is distributed for occasions such as Labor Day, Duanwu Festival, and Mid-autumn Festival. (5) Subsidies, in addition to special leave of absence, are granted for wedding, funeral, and celebrations as required by the Labor Standards Act. (6) If the company has a surplus, employees are entitled to distribution of employee remuneration. (7) Accommodation and meal are provided to employees. (8) Role-model employees are openly commended and gifted with gold medals. (9) Senior employees are openly commended and gifted with commemorative gold accessories and medals. (10) Birth incentive: Childbirth subsidy and child care subsidy (age 0-4) are offered to employees (and spouse) who give birth.	No material deviation is found No material deviation is found No material deviation is found

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(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issue	V		<p>Workplace diversity and equality: to ensure equal pay for equal work and ensure fair promotion opportunities for males and females and thereby contribute to sustainable and inclusive growth of the economy. In 2023, the average percentage of female employees was 25%, and the average percentage of female managers was 17.78%.</p> <p>Compensation reflective of employee performance: The Company participates in market salary surveys each year and adjusts compensation in line with market level, economic trends, and individual performance to maintain compensation competitiveness.</p> <p>(III) The Company is committed to providing a safe work environment for workers, and regularly conducts annual work environment inspections, makes improvements for areas with potential public safety hazards, and strengthens occupational safety and health education and training for employees, further establishing a safe and comfortable work environment.</p> <ol style="list-style-type: none"> In order to protect the safety of workers and prevent the occurrence of occupational disasters, the Company has established the Occupational Safety and Health Management Committee to stipulate the Labor Safety and Health Work Rules and has reported it to the Nantou County Government for approval. The company has established management procedures for emergency response measures. 	

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
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(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		<p>3. In accordance with the Occupational Safety and Health Act and the Labor Safety and Health Work Rules, we carry out health examinations of everyone once a year and employees are notified by doctors of the examination results.</p> <p>4. According to the law, new hires and in-service workers shall undergo safety and health education and training before changing jobs. For general workers, on-the-job safety and health education and training shall be conducted once a year, and 3-hour fire safety training shall be conducted twice a year.</p> <p>5. The average number of people working for the Company in 2023 is 346. There were 5 work-related injuries in the year and the occupational accident rate was 1.44%, which was mainly caused by unsafe behaviors. In addition to strengthening the education and training of all employees every six months, we conduct monthly and irregular site inspections to reduce the occurrence of occupational accidents. There were also no fire incidents in 2023.</p> <p>(IV) The Company values the importance of employee training and development, which cover two major areas, new employee training and professional skill training. Through systematic teaching of professional knowledge and techniques, important skills can be passed on to new employees. In addition, we have external courses or external lecturers to improve the skills which employees need for their development.</p>	

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(V) Has the Company complied with the relevant regulations and international standards and formulated policies for protection of consumers and clients' rights and interests and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		<table border="1"> <thead> <tr> <th rowspan="2">2023</th> <th colspan="2">Hours/H</th> <th colspan="2">No. of Attendance</th> <th rowspan="2">Male</th> <th rowspan="2">Female</th> </tr> <tr> <th>Direct</th> <th>Indirect</th> <th>Direct</th> <th>Indirect</th> </tr> </thead> <tbody> <tr> <td>External education and training</td> <td>451</td> <td>775</td> <td>77</td> <td>106</td> <td>136</td> <td>47</td> </tr> <tr> <td>Internal education and training</td> <td>2181.2</td> <td>2559.6</td> <td>745</td> <td>1044</td> <td>1079</td> <td>710</td> </tr> <tr> <td>Orientation and training for new hires</td> <td>136</td> <td>72</td> <td>34</td> <td>18</td> <td>43</td> <td>9</td> </tr> <tr> <td>Total hours/person-time</td> <td>2768.2</td> <td>3406.6</td> <td>856</td> <td>1168</td> <td>1258</td> <td>766</td> </tr> <tr> <td>Total</td> <td colspan="2">6174.8</td> <td colspan="2">2024</td> <td colspan="2">2024</td> </tr> </tbody> </table>			2023	Hours/H		No. of Attendance		Male	Female	Direct	Indirect	Direct	Indirect	External education and training	451	775	77	106	136	47	Internal education and training	2181.2	2559.6	745	1044	1079	710	Orientation and training for new hires	136	72	34	18	43	9	Total hours/person-time	2768.2	3406.6	856	1168	1258	766	Total	6174.8		2024		2024		
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(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked	V		<p>(V) The Company strives to improve customer satisfaction and reputation, establish long-term partnerships with customers, and comply with international standards and relevant laws and regulations to ensure product quality and protect customer health and safety. We value the importance of customer privacy and have signed confidentiality agreements with a number of multinational companies. So far, we have not received any complaints from customers about infringement of customer privacy or loss of customer information. In 2023, the Company had no violations of product labeling-related regulations or fines, and no incidents of customer privacy damage or leak. (VI) In order to protect the health and safety of customers, the Company clearly labels products according to the GHS (Global Harmonization System) specifications, provides</p>																																																	

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
suppliers' performance on a regular basis?			<p>customers with accurate and clear SDS (Safety Data Sheets) and prevents the use of hazardous substances in products. Therefore, before we collaborate with our suppliers, they are required to sign a letter of commitment to integrity, and we conduct supplier evaluations on a regular basis to ensure that suppliers comply with relevant standards.</p> <p>(VI) The Company has included "Environment safety and health" in the supplier on-site evaluation form. The Company would consider suspending or terminating business relationship if on-site evaluation identifies violation of ESG policy and a significant impact to the environment and the society. No such situation was found in the 2023 supplier evaluation.</p>	
V. Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?	V		We prepare and publish EGS reports regularly and in accordance with Global Reporting Initiative (GRI) standards and the Regulations Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies, to disclose the measures for and information about sustainable development. Please visit the CSR section of the Company's website (http://www.sbinet.com.tw) and Market Observation Post System for details. However, no assurance or guarantee by third parties has been obtained for these reports.	No material deviation is found
VI. If the Company has established its own practical guidelines on sustainable development in accordance with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the functioning of its own guidelines and the difference: The Company has established Practical Guidelines on Sustainable Development and its functioning is not different from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.				
VII. Other important information for facilitating the understanding of sustainability and its implementation:				

Promotion Items	Execution progress			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>(I) Employee rights and employee care: Please refer to V. Labor-management relations under Five Operational Overview for details (pages97-98).</p> <p>(II) Human rights: The Company never hires child labor, and has implemented its own Work Rules and organizes labor-management meetings in accordance with Act of Gender Equality in Employment and the Employment Services Act. Business Integrity Procedures and Behavioral Guidelines have also been created to serve as guidance.</p> <p>(III) Work-life balance: The Company allows employees to take unpaid parental leaves as required by laws, and offers family care leave, parental leave, menstruation leave, breastfeeding break, nursery room etc. to cater for employees' needs. Not only are employees encouraged to take leave of absence, the Company even subsidizes trips and organizes regular health checkups.</p> <p>(IV) The Company has purchased liability insurance for directors and managers.</p>				

(VI) Climate-related information of publicly traded and OTC companies

Item	Execution progress
<p>1. Describe board and management supervision and governance of climate-related risks and opportunities.</p>	<p>In 2022, the Company's Board of Directors approved the change of the name of the "Corporate Social Responsibility Implementation Committee" to the "Sustainability Promotion Committee." The President serve sas the chairperson of the Committee, and relevant units are invited to establish an ESG Committee. With reference to the specific indicators listed in the Global Reporting Initiative (GRI) Standards, there are five teams, corporate governance, customers and partners, sustainable environmental development, employee care and social welfare, responsible for planning and monitoring the progress of related activities to be reported to the board. The human resources unit is also instructed to assist in the promotion of corporate social responsibility related matters.</p> <p>In the face of global climate change, Shuang-Bang will continue to promote greenhouse gas management and reduction, improve energy efficiency and reduce energy resource consumption and pollution emissions, so as to reduce the environmental impact caused by production activities. The area of concern is not only targeted at Taiwan, but also gradually expanded to the locations of the supply chain to study possible risks of shortage of materials.</p> <p>Core framework</p> <p>Shuang-Bang pays attention to the global sustainability topics and the development trends of various industries, and hopes to provide the most suitable PU and other resins, adhesives, 4,4'-METHYLENE-BIS (2-CHLOROANILIN) and 4,4'-METHYLENE-BISANILINE, TPU granules, TPU films, TPU shoe materials, as well as imported light starters and other special chemicals, supplemented by PU transfer sticker processing, PU direct coating processing, and low-carbon processing technology developed by the Company, which reduce the environmental impact. We also explore new business opportunities to work with the public for sustainable environmental development. We follow the core framework of the Task Force on Climate-Related Financial Disclosures (TCFD), which include four major areas, governance, strategy, risk management, indicators and targets, to disclose climate-related information and the future response strategy.</p>

Item	Execution progress				
	Core framework of TCFD	Governance	Strategy	Risk management	Indicators and objectives
	Action	<ul style="list-style-type: none"> Responsibilities of the Board of Directors for Climate Risk Supervision 	<ul style="list-style-type: none"> Major impacts on operations, strategies, and finance; setting short-, intermediate- and long-term goals for climate risks and opportunities Climate change scenarios are taken into consideration 	<ul style="list-style-type: none"> Process for Identifying and Assessing Climate Risks and Opportunities Incorporated into overall risk management 	<ul style="list-style-type: none"> Disclosure of emissions Description of risks and opportunities, objectives and performance
	Concrete measures	<p>The Board of Directors takes climate-related issues into consideration when reviewing and guiding strategies, major action plans, risk management policies, annual budgets and business plans, as well as setting organizational performance targets and monitoring implementation and implementation/supervision of major capital expenditures.</p>	<p>The "Sustainability (ESG) Committee" is the highest-level management committee responsible for climate-related issues within the Company. The Chairman and the President serve as the steering committee members. The heads of each unit are responsible for the operation of their teams. Team members includes representatives of all the Company's operating units, responsible for identifying management guidelines for corporate sustainability issues; implementing, assessing</p>	<p>Based on the scope and status of the impacts of climate change, the physical and transition risks are graded according to the probability of occurrence and severity and the risks are divided into different quadrants according to the scores. Items with high frequency of occurrence and high severity require a risk mitigation plan analysis and regular updates to ensure their effectiveness.</p>	<p>Set short-, intermediate- and long-term carbon reduction targets and regularly manage GHG emissions in various areas</p>

Item	Execution progress																									
			and managing climate-related issues, and managing and reviewing key performance indicators.																							
<p>2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy and finances (short, intermediate and long-term).</p>	<p>With regard to possible risks and opportunities of climate-related issues, the sustainability implementation team regularly identifies transition, physical risks, and climate change opportunities based on "likelihood of occurrence" and "likelihood of potential impact" with reference to the recommendations on climate-related financial disclosures, and evaluates the risks and opportunities and their financial impact on the Company and formulates countermeasures.</p> <p>The relevant departments under the "Sustainability Committee" identify and analyze climate change risks and opportunities within their business scope.</p> <p>Based on the occurrence rate (6 levels) and likelihood (6 levels) of each risk and opportunity, a matrix is drawn to grasp the major risks and opportunities and to formulate management measures to reduce, transfer or avoid potential impacts.</p> <table border="1" data-bbox="595 754 2145 1370"> <thead> <tr> <th data-bbox="595 754 790 791">Type</th> <th data-bbox="790 754 1196 791">Climate change risk</th> <th data-bbox="1196 754 1516 791">Financial impact</th> <th data-bbox="1516 754 2145 791">Countermeasures</th> </tr> </thead> <tbody> <tr> <td data-bbox="595 791 790 1270" rowspan="4">Transition risks</td> <td data-bbox="790 791 1196 895">Energy and Greenhouse Gas Laws and Regulations</td> <td data-bbox="1196 791 1516 895"> <ul style="list-style-type: none"> • Decrease in revenue • Increase in operating costs </td> <td data-bbox="1516 791 2145 895">Continue to implement waste reduction and recycling programs to reduce the impact on the environment.</td> </tr> <tr> <td data-bbox="790 895 1196 1031">Increase in the cost of greenhouse gas emissions</td> <td data-bbox="1196 895 1516 1031"> <ul style="list-style-type: none"> • Increase in installation and operating cost of carbon reduction equipment </td> <td data-bbox="1516 895 2145 1031">Introduced ISO 14064: 2018 inventory.</td> </tr> <tr> <td data-bbox="790 1031 1196 1166">Unstable energy supply</td> <td data-bbox="1196 1031 1516 1166"> <ul style="list-style-type: none"> • Increase in equipment investment cost </td> <td data-bbox="1516 1031 2145 1166">In addition to using natural gas as an energy source for production, a second fuel was added as auxiliary or backup fuel, and the feasibility of a low-carbon fuel was assessed.</td> </tr> <tr> <td data-bbox="790 1166 1196 1270">Impact on the Company's image</td> <td data-bbox="1196 1166 1516 1270"> <ul style="list-style-type: none"> • Damage to goodwill </td> <td data-bbox="1516 1166 2145 1270">Positive exposure of energy-saving improvement measures and low-carbon products and services to shape the ESG corporate image.</td> </tr> <tr> <td data-bbox="595 1270 790 1370">Physical risk</td> <td data-bbox="790 1270 1196 1370">Typhoon (immediate)</td> <td data-bbox="1196 1270 1516 1370"> <ul style="list-style-type: none"> • Property loss • Decrease in revenue </td> <td data-bbox="1516 1270 2145 1370">When a typhoon approaches, follow up on the rules on whether employees should go to work or stop going to work and the communication of alerts.</td> </tr> </tbody> </table>					Type	Climate change risk	Financial impact	Countermeasures	Transition risks	Energy and Greenhouse Gas Laws and Regulations	<ul style="list-style-type: none"> • Decrease in revenue • Increase in operating costs 	Continue to implement waste reduction and recycling programs to reduce the impact on the environment.	Increase in the cost of greenhouse gas emissions	<ul style="list-style-type: none"> • Increase in installation and operating cost of carbon reduction equipment 	Introduced ISO 14064: 2018 inventory.	Unstable energy supply	<ul style="list-style-type: none"> • Increase in equipment investment cost 	In addition to using natural gas as an energy source for production, a second fuel was added as auxiliary or backup fuel, and the feasibility of a low-carbon fuel was assessed.	Impact on the Company's image	<ul style="list-style-type: none"> • Damage to goodwill 	Positive exposure of energy-saving improvement measures and low-carbon products and services to shape the ESG corporate image.	Physical risk	Typhoon (immediate)	<ul style="list-style-type: none"> • Property loss • Decrease in revenue 	When a typhoon approaches, follow up on the rules on whether employees should go to work or stop going to work and the communication of alerts.
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Item	Execution progress			
		Flood damage (immediate)	<ul style="list-style-type: none"> • Production is impacted • Business operations are affected 	<p>According to the National Science and Technology Center for Disaster Reduction, Shuang-Bang is not located in the saturated soil and gravel and flooding disaster area.</p> <p>The plants of Shuang-Bang are elevated above ground level and the relevant drainage facilities are already available in the building.</p>
		Average temperature rise (long-standing)	<ul style="list-style-type: none"> • Increase in operating costs 	Set the annual absolute reduction target based on the base year of 2022.
	Climate Change Opportunities	Looking for new business opportunities	<ul style="list-style-type: none"> • Expand revenue from energy-saving products 	Introduce green design thinking to product development to reduce energy consumption during product manufacturing and use.
		Energy-efficient buildings	<ul style="list-style-type: none"> • Increase in capital expenditure 	Planning of green buildings/smart buildings that meet the standards.
		Low-carbon energy	<ul style="list-style-type: none"> • Raise energy costs 	Plans to find biomass fuel or low-carbon energy.
		Encourage long-term investment willingness	<ul style="list-style-type: none"> • Capital expenditure ratio 	Improve investors' and stakeholders' trust in the Company
		Enhance positive corporate image	<ul style="list-style-type: none"> • Increased reputation and increased demand for low-carbon products/services 	Improve low-carbon green energy production.
3. Describe the financial impact caused by extreme climate events and transition actions.	The financial impacts from extreme climate events (floods, increase in average temperature) and transition actions (energy and greenhouse gas regulations, increase in greenhouse gas emission costs, and impact on corporate image) are as described in Item 2 above.			
4. Describe how the identification, assessment and management processes of climate risks are integrated into the overall risk management system.	<p>The ESG Committee under the Board of Directors is the highest organization for "climate change" management and climate change-related issues are included in the scope of goals and performance management; the ESG implementation team is responsible for identifying and inventorying climate change risks and opportunities and carrying out identification and management to enhance corporate resilience and grasp market opportunities.</p> <p>Through the participation of the Board of Directors and senior management, we have supported and established a risk management unit to incorporate risk management awareness into daily decision-making and business activities to form a comprehensive enterprise risk management.</p> <p>It covers five major elements: risk identification, risk analysis, risk assessment, risk response and risk monitoring and review</p>			

Item	Execution progress
	<p>mechanism.</p> <p>I. Risk Identification The sources and types of risks mainly include strategic risks, operating risks, financial risks, information risks, compliance risks, ethics risks and other emerging risks (risks related to climate change or infectious diseases). Each operating unit should identify risks based on the Company's short-term, intermediate-term and long-term goals and business duties. Risk identification should adopt various feasible analysis tools and methods. Through analysis and discussion, fully identify the risk events that may cause the Company to fail to achieve its goals, cause losses or cause negative impacts to the Company.</p> <p>II. Risk analysis Each operating unit understands the nature and characteristics of the identified risk events and assesses the probability and degree of impact through qualitative and quantitative methods in order to understand the impact of risks on the Company.</p> <p>III. Risk assessment Based on the results of risk analysis, each operating unit evaluates the degree of impact on the Company and decides which risk events need to be prioritized.</p> <p>IV. Risk response After assessing and summarizing the risks, it is advisable that each operating unit take appropriate response measures for the risks faced. The risk response measures can be adopted in the following ways:</p> <ol style="list-style-type: none"> (1) Risk avoidance: Adopting measures to avoid various activities that may cause risks. (2) Risk reduction: Measures are taken to reduce the impact or the possibility of occurrence of a risk. (3) Risk allocation: Part or all of the risk is borne by other means by way of transfer. (4) Risk acceptance: No action will be taken to change the likelihood and impact of a risk.
<p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions and analysis factors used and significant financial impacts should be explained.</p>	<p>The Company has not yet conducted the evaluation using scenario analysis.</p>
<p>6. If there is a transition plan to manage climate-related risks, explain the content of the plan and the</p>	<p>The Company has no transition plan for managing climate-related risks</p>

Item	Execution progress
indicators and goals used to identify and manage physical risks and transition risks.	
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be explained.	The Company has not implemented internal carbon pricing
8. If there are climate-related goals set, the activities, scope of greenhouse gas emissions, planning schedule, annual progress and other information covered should be explained. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of carbon reduction credits to be exchanged or the quantity of renewable energy certificates (RECs) should be explained.	The Company has voluntarily set its own greenhouse gas emission reduction target internally. It is planned in the short and intermediate-term. The main short-term goal is to stabilize the equipment operations; and in the intermediate-term, it is set to reduce the consumption of fossil fuels. It is expected to reduce carbon emissions by 30% in 2025 from 2021 as the baseline.
9. Status of greenhouse gas inventory and assurance and the reduction goals, strategy and specific action plans are to be filled in 1-1 and 1-2 separately). According to the "Sustainable Development Roadmap of TWSE/TPEX Listed Companies" published by the Financial Supervisory Commission in March 2022, the Company has a paid-in capital of less than NTD 5 billion, so the standalone company (<i>i.e.</i> , the parent company) should Inventory the GHG in the third phase (that is, the inventory will be completed in 2026 and the verification will be completed in 2028).	

1-1 GHG inventory and assurance in the last 2 years

1-1-1 Greenhouse gas inventory information

Describe the emission volume (metric tons CO₂e), intensity (metric tons CO₂e/million NT\$) and data coverage of greenhouse gases in the past two years.

Not applicable

1-1-2 Greenhouse gas assurance information

Describe the status of assurance in the last 2 years as of the date of publication of the annual report, including the scope of assurance, body of assurance, standards of assurance and opinions of assurance.

Not applicable

1-2 Greenhouse gas reduction goals, strategies and concrete action plans

Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of reduction goals.

Not applicable

(VII) Enforcement of business integrity, and deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>I. Establishment of integrity policies and solutions</p> <p>(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p> <p>(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company defined and enforced operating procedures,behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on aregular basis?</p>	V		<p>(I) The Company has established “Ethical Corporate Management Best Practice Principles” and "Business Integrity Procedures and Behavioral Guidelines" that requires all employees to abide by government laws and regulations and uphold integrity and fairness while performing business for the Company. Board members and the management, too, recognize integrity as the ultimate principle when managing businesses.</p> <p>(II) The Company has identified in Business Integrity Procedures and Behavioral Guidelines the operating activities where unethical behavior are more likely and has established relevant operational rules. The Company has put in place a clause on recusal by directors due to conflict of interest in Rules of Procedure for Board Meetings. Employee Handbook also strictly prohibits the request or offer of monies, goods or other improper benefits.</p> <p>(III) The Company describes in Business Integrity Procedures and Behavioral Guidelines its procedures, rewards and disciplinary actions, whistleblowing and recording of violations of code</p>	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>of conduct by covering measures to prevent the following dishonest behavior:</p> <p>(1) Offer or receipt of improper gains (2) Offer or promise of facilitation payments (3) Offer of illegal political donations (4) Charity donations or sponsorships (5) Infringement of trade secrets, trademarks, patents, copyrights and other intellectual properties (6) Unfair competition (7) Products/services damaging to stakeholders (8) Insider trading</p>	
<p>II. Enforcement of business integrity</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that specializes in business integrity? Does this unit report make regular reports (at least once a year) to the board of directors regarding the implementation of business integrity policy and execution of preventions against dishonest conducts?</p>	V		<p>(I) Pursuant to “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behavioral Guidelines”, the Company will cease all business dealing with any counterparty that exhibits dishonest conduct and will blacklist the counterparty in question in order to enforce the Company's business integrity policy.</p> <p>(II) The Administrative Department is tasked with the responsibility to communicate and execute the Company's business integrity policies. The department makes regular reports (at least once a year) to the board of directors on the misconducts discovered, how they are handled, and the improvement measures taken. On November 10, 2023, the board of directors reported on the</p>	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		implementation of the company's ethical operations in 2023. (III) The Company sets out in "Business Integrity Procedures and Behavioral Guidelines" the regulations governing recusal due to conflict of interest, to prevent personnel from making decisions not in conformity with the Company's code of conduct. If employees violate relevant rules, investigation units and decision-making managers will give those concerned an ample opportunity to make statements before the Company imposes formal disciplinary actions.	
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) The Company has implemented an internal audit system and plans internal audit activities in advance. The internal audit team carries out audit activities according to plan and may arrange ad-hoc audits under special circumstances.	
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(V) In 2023, the Company organized a total of six training sessions on ethics with 544 person/times in participation. In addition to formal internal training and education, the Company often reminds employees the importance of business ethics during meetings and reiterates that code of conduct is the Company's core regulations. The Company's business philosophy is integrity,	

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			quality, innovation and sharing. Integrity lies at the heart of the Company's business philosophy.	
<p>III. Whistleblowing system</p> <p>(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p> <p>(II) Has the Company implemented any standard procedures or confidentiality measures for handling reported misconducts?</p> <p>(III) Has the Company provided proper whistleblower protection?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) Employees are able to report dishonest conducts using either the "opinion box" or the "dedicated e-mail"; all misconduct reports are handled by dedicated personnel of the Administrative Department.</p> <ul style="list-style-type: none"> • Management Department: sbi_mgmt@sbinet.com.tw • Or mail to: No. 3, Yongxing Road, Management Department, Nangang Industrial Park, Nantou City 540 <p>(II) The Company has implemented an "Employee Grievance and Response Policy" that outlines the standard procedures and confidentiality measures to be followed in an investigation. Any relevant documents and information are considered confidential, and all personnel involved will be responsible for maintaining secrecy of the entire process.</p> <p>(III) The Company specifies its commitment to whistleblowers at its corporate website and in "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behavioral Guidelines" to protect whistleblowers from improper treatment due to whistleblowing.</p>	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
IV. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS Contents and effects of Ethical Corporate Management Best Practice Principles ?	V		(I) The Company's "Ethical Corporate Management Best Practice Principles" and "Business Integrity Procedures and Behavioral Guidelines" are fully disclosed on its corporate website and via Market Observation Post System. The implementation of business code of conduct is disclosed on the company website.	No material deviation is found
V. If the Company has established its own guidelines on ethical corporate management according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the functioning of its own guidelines and the difference: The Company has established its own "Ethical Corporate Management Best Practice Principles", its functioning is not different from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.				
VI. Other information relevant to understanding the Company's business integrity: (e.g. review of business integrity principles) Anchored on the business philosophy of integrity, quality, innovation and sharing, the Company has established policies centered on ethics and a robust corporate governance and risk control mechanism. The purpose is to create a sustainable business environment and be accountable to investors, customers, suppliers and the society. The Company has established a website and a mailbox for complaining and whistleblowing. Employees may submit complaints or whistleblowing online if they have identified any matter in violation of code of conduct or damaging to the corporate reputation. Meanwhile, the Company has long-standing cooperation with vendors and business partners. Contracts are signed and relevant personnel is involved to maintain the long-term cooperative ties.				

(VIII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

1. The Company has implemented its own "Corporate Governance Code of Conduct" and "Sustainable Development Code of Conduct". Please visit the corporate website for details.
2. The Company has implemented its "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines". Please visit the corporate website for details.
3. The Company has formulated "Audit Committee Charter"; please visit the corporate website for details.
4. The Company has implemented its own "Board Performance Evaluation Policy"; please visit the corporate website for details.
5. The Company has established the "Organizational Charter for the Nomination Committee." Please refer to the Company's website for details.
6. The Company has established the "Risk Management Policy and Procedures" and the "Organizational Charter of the Risk Management Committee." Please refer to the Company's website for details.

(IX) Other information material to the understanding of corporate governance within the Company:

1. Directors' ongoing education in 2022

Title	Name	Date of training	Organizer	Course name	Training hours
Chairman	Chung-Tang Chang	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Vice Chairman	Ah-Ming Chen	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Director	Ken-Chen Chen	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Director	Hsi-Neng Hsieh	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Director	Ho-Pin Lin	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3

		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Director	Cheng-Yen Liang	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Independent Director	Yen Wang	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Independent Director	Tu-Hsin Yang	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Independent Director	Cheng-Feng Cheng	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3

2. Managers' ongoing education - 2023

Title	Name	Date of training	Organizer	Course name	Training hours
CSO	Chung-Tang Chang	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
President	Yu-Chuan Hsu	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Vice President	Ah-Ming Chen	November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
		November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3
Vice President	Min-Chu Lin	April 20, 2023	Accounting Research and Development Foundation	Declassification of Corporate "Financial Statements" and Practice of "Corporate Diagnosis"	3
		April 20, 2023	Accounting Research and Development Foundation	The application of "Information Security" in enterprises and the analysis of legal liability	3
		April 21, 2023	Accounting Research and Development Foundation	Regulations on "Related Party Transactions" of Directors, Supervisors and Senior Management and Corporate Governance Practices	3
		April 21, 2023	Accounting Research and Development Foundation	Using ESG to Create New Corporate Value: Business Challenges, Response, and Strategies	3
		May 23, 2023	Taipei Exchange	Action Plan for the Sustainable Development of TWSE Listed and TPEX Listed Companies	3

June 2, 2023	Accounting Research and Development Foundation	Legal liability of "tax crime" and case study	3
July 19, 2023	Accounting Research and Development Foundation	Controlled foreign enterprise (CFC) tax laws and practices	3
August 23, 2023	Taipei Exchange	Advocacy of Rules on Insider Equity Transactions in TPEX/Emerging Stock Board Listed Companies	3
November 10, 2023	Taiwan Corporate Governance Association	Directors and Supervisors should be aware of the civil and criminal liabilities under Securities and Exchange Act.	3
November 10, 2023	Taiwan Corporate Governance Association	Common deficiencies and case studies conducted by the Securities and Futures Bureau	3

3. Corporate Governance Officer's ongoing education - 2023

Title	Date of training	Organizer	Course name	Training hours
Vice President of Finance Department/ Corporate Governance Officer Min-Chu Lin	May 23, 2023	Taipei Exchange	Action Plan for the Sustainable Development of TWSE Listed and TPEX Listed Companies	3
	June 2, 2023	Accounting Research and Development Foundation	Legal liability of "tax crime" and case study	3
	July 19, 2023	Accounting Research and Development Foundation	Controlled foreign enterprise (CFC) tax laws and practices	3
	August 23, 2023	Taipei Exchange	Advocacy of Rules on Insider Equity Transactions in TPEX/Emerging Stock Board Listed Companies	3

(X) Execution of internal control system:

1. Declaration of Internal Control System

Shuang-Bang Industrial Corp.

Declaration of Internal Control System

Date: March 12, 2024

The following declaration was made based on the 2022 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2023. This system (including supervision and management of subsidiaries) has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 8 directors present at the board meeting dated March 12, 2024.

Shuang-Bang Industrial Corp.

Chairman: Chung-Tang Chang Signature/seal

President: Yu-Chuan Hsu Signature/seal



2. It is necessary to disclose the review report issued by CPAs if CPAs are appointed to review the internal control system: none

- (XI) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system and the penalties which may have a significant impact on shareholders' equity or the price of securities, and list the content of penalties, principal deficiencies and the state of any efforts to make improvements: not applicable.
- (XII) Key resolutions of shareholder meetings or board of directors meetings in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report:

1. Major resolutions by 2023 shareholder meeting and the execution progress

Date	Major resolutions	Execution progress
June 20, 2023 AGM	I. Acknowledgment of the Company's 2022 business report and financial statements	Resolution passed
	II. Acknowledgment of the Company's 2022 earnings distribution	July 13, 2023 as the record date August 3, 2023 as the payment date Distribution of cash dividends at NT\$1.2 per share

2. Key resolutions of the board of directors in the most recent year up to the publication date of the annual report

Date	Major resolutions
January 17, 2023	<ol style="list-style-type: none"> 1. Matters reviewed by the first Remuneration Committee meeting in 2023 2. The Company's 2023 business plan and budget 3. Amendment to Rules of Procedure for Board Meetings 4. Details concerning the convening of the Company's 2023 annual shareholders' meeting 5. Consolidation of 100% owned investee- SHUANG BANG INDUSTRIAL CORP. (BVI), with independent directors signing the consolidation contract
March 17, 2023	<ol style="list-style-type: none"> 1. The Company's 2022 Internal Control System Effectiveness Review and Declaration of Internal Control System 2. To fund the long-term funding required for factory facilities, the Company intends to apply to Mega Bank for loans 3. Amendments to the Company's "Corporate Governance Code of Conduct" 4. Review of distribution method and total amount of remuneration to employees and directors for 2022 during the second Remuneration Committee meeting in 2023 5. The Company's 2022 financial statements and business report 6. The Company's 2022 earnings distribution 7. Amendments to 2023 annual shareholders' meeting agenda 8. The Company's subsidiary Shoetex Corporation issued new shares for cash 9. Appointment of directors for subsidiaries to represent the Company 10. Removal of non-compete clause on the Company's managers

May 12, 2023	<ol style="list-style-type: none"> 1. Issues for deliberation at the 3rd meeting of the Remuneration Committee in 2023 2. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to March 31, 2023 3. Amendment to the Company's internal control system and internal audit system 4. Formulate the general principles on the Policy for Pre-Approval of Non-assurance Services. 5. Pre-approved tax service for standalone companies within the group structure 6. Purchase of directors' liability insurance by the Company 7. Formulate the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises". 8. Apply for intermediate-term and long-term credit loans from Hua Nan Commercial Bank.
June 20, 2023	<ol style="list-style-type: none"> 1. The Company's 2022 ESG Report
August 11, 2023	<ol style="list-style-type: none"> 1. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to June 30, 2023
November 10, 2023	<ol style="list-style-type: none"> 1. Consolidated financial statements of the Company and subsidiaries for the period from January 1 to September 30, 2023 2. The Company's 2024 audit plan 3. Expected renewal of the Company's credit facilities with banks for 2024 4. CPA independence and suitability assessment 5. Appointment of and compensation to CPAs in 2024 6. Formulated the Company's "Nomination Committee Organizational Charter" and established the Nomination Committee 7. Appointment of the members of the 1st session of Nomination Committee. 8. Establishment of the Company's "Risk Management Policy and Procedures" 9. Establishment of the Company's "Risk Management Committee Organizational Charter" 10. Appointment of members of the Company's first session of Risk Management Committee 11. Amendments to the Company's internal control system
February 2, 2023	<ol style="list-style-type: none"> 1. Matters reviewed by the first Remuneration Committee meeting in 2024 2. The Company's 2024 business plan and budget
March 12, 2023	<ol style="list-style-type: none"> 1. The Company's 2023 Internal Control System Effectiveness Review and Statement on Internal Control 2. Matters reviewed by the second Remuneration Committee meeting in 2024 3. The Company's 2023 financial statements and business report 4. The Company's 2023 earnings distribution 5. The Company's subsidiary Shoetex Corporation issued new shares for cash 6. Re-election of directors 7. Nomination of director (including independent director) candidates for 2024 election 8. Removal of non-compete clause for new directors 9. Set the date, time, place and other related matters of the 2024 shareholders' meeting

	<p>10. Approved measures to handle proposals from shareholders who have more than 1% of shareholding.</p> <p>11. Acceptance of director (including independent director) nomination from shareholders with more than 1% ownership interest</p>
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- (XIII) In the most recent year and up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a key resolution passed by the board and the dissenting opinion has been recorded or prepared as a written declaration: none.
- (XIV) A summary of resignations and dismissals, in the most recent year and up to the date of publication of the annual report, of the Company's chairman, president, head of finance & accounting, principal financial officer, chief internal auditor, principal corporate governance officer and principal research and development officer: none.

V. Disclosure of audit remuneration

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fee (Note)	Total	Remarks
Weyong International CPAs & Co.	Chun-Chen Ko	January 1, 2023 to December 31, 2023	2,250	78	2,328	None
	Hui-Fen Lin					

Note: Service charges for salary reviews and reporting, and change of company registration totaled NT\$78,000 in 2023.

- (I) Any change of accounting firm that resulted in the reduction of audit fee from the previous year; disclose audit fees before and after the change and the cause of such change: None.
- (II) Any reduction in audit fee by more than 10% compared to the previous year; state the amount, percentage, and reason of such variation: None.

VI. Change of CPA

(I) About the previous accountant

Date of change	Since Q1 of 2023		
Reasons and descriptions for change	Internal job rotation and arrangement within Weyong International CPAs, so CPAs Chun-Chen Ko and Tzu-Yang Wang were replaced with CPAs Chun-Chen Ko and Huei-Fen Lin.		
Indicate the appointed person or that the CPA terminates or declines appointment.	Party concerned	Certified Public Accountant	Appointed person
	Status	Not applicable	
	Appointment terminated automatically		
Appointment rejected (discontinued)			
Opinions on audit reports other than unqualified opinions issued in the last two years and the reasons for the opinions	None		
Is there any disagreement in opinion with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	None	V	
Description			

Supplementary disclosure (Disclosures specified in subparagraphs 1-4 to 1-7 of paragraph 6, Article 10 of this Standard)	None
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(II) About successor CPAs

Name of Accounting Firm	Weyong International CPAs
Name of CPA	CPA Chun-Chen Ko CPA Hui-Fen Lin
Date of appointment	Since Q1 of 2023
Prior to formal engagement, any Inquiries or consultation on the accounting method or accounting principles for specific transactions and the type of audit opinion that may be rendered in the financial report?	Internal job rotation of the CPA firm, so it is not applicable.
Written Opinions from the Successor CPAs that are Different from the Predecessor CPA's Opinions	Internal job rotation of the CPA firm, so it is not applicable.

(III) The reply of former CPAs under item 3, subparagraph 2, and subparagraph 1 of paragraph 6.1, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: not applicable.

VII. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the most recent year

None.

VIII. Details of shares transferred or pledged by directors, managers, and shareholders with more than 10% ownership interest in the last year, up until the publication date of annual report

(I) Changes in shareholding of directors, managers and major shareholders

Unit: shares

Title	Name	2023		2024 up until April 2	
		Increase (decrease) in the number of shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CSO	Chung-Tang Chang	220,773	—	—	—
Vice Chairman and Vice President	Ah-Ming Chen	—	—	—	—
Director	Hsi-Neng Hsieh	—	—	—	—
Director	Ken-Chen Chen	—	—	—	—
Director	Ho-Pin Lin	—	—	—	—
Director	Uei-Want Industrial Co., Ltd. Representative: Cheng-Yen Liang	—	—	—	—
Independent Director	Tu-Hsin Yang	—	—	—	—
Independent Director	Yen Wang	—	—	—	—
Independent Director	Cheng-Feng Cheng	—	—	—	—
President	Yu-Chuan Hsu	—	—	—	—
Vice President and head of finance and accounting	Min-Chu Lin	—	—	—	—
Assistant Vice President	Chun-Han Li	—	—	—	—
Assistant Vice President	Chien-Chung Ko	—	—	—	—

(II) Transfer of shareholding: None.

(III) Pledge of shareholding: None.

IX. Information on top ten shareholders and their mutual relationship

April 2, 2024; Unit: shares

Name	Shares held in own name		Shareholding held by the spouse and minor children and minor children		Shares Held in the Name of Others		Names and relationships of top-10 shareholders characterized as spouse or relative of second degree or closer		Remarks
	No. of shares	Shareholding percentage (%)	No. of shares	Shareholding percentage (%)	No. of shares	Shareholding percentage (%)	Name	Relationship	
Chung-Tang Chang	6,700,207	8.14	1,000,871	1.22	—	—	Chia-Ying Chang	1st-degree relative	—
Ah-Ming Chen	4,998,802	6.07	2,524,897	3.07	450,522	0.55	Mei-Ching Liu San-Che Chen	Spouse 2nd-degree relative	—
Ho-Pin Lin	2,622,121	3.18	509,196	0.62	—	—	—	—	—
Mei-Ching Liu	2,524,897	3.07	4,998,802	6.07	—	—	Ah-Ming Chen San-Che Chen	Spouse Relative by affinity	—
Uei-Want Industrial Co., Ltd.	2,500,000	3.04	—	—	—	—	—	—	—
Uei-Want Industrial Co., Ltd. Representative: Cheng-Yen Liang	—	—	—	—	—	—	—	—	—
Guang-Rong Investment Co., Ltd.	2,424,363	2.94	—	—	—	—	—	—	—
Guang-Rong Investment Co., Ltd. Representative: Chia-Ying Chang	1,566,222	1.90	—	—	2,424,363	2.94	Chung-Tang Chang	1st-degree relative	—
San-Che Chen	2,101,197	2.55	409,212	0.50	—	—	Ah-Ming Chen Mei-Ching Liu	2nd-degree relative Relative by affinity	—
Li-Chang Chen	1,867,112	2.27	—	—	—	—	—	—	—
Hung-Nien Chuang	1,633,157	1.98	537,359	0.65	—	—	—	—	—

Chia-YIng Chang	1,566,222	1.90	—	—	2,424,363	2.94	Chung-Tang Chang	1st-degree relative	—
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- X. Investments jointly held by the Company, the Company's directors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

April 2, 2024

Unit: thousand shares; %

Business investments (Note 1)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
Miracle Textile Industry Co., Ltd.	2,225	44.50%	—	—	2,225	44.50%
Shoetex Corporation	6,613	80.20%	390	4.73	7,003	84.93%

Note 1: Investments that the Company has accounted using the equity method.

Four. Fundraising Overview

I. Capital and outstanding shares

(I) Source of capital

1. Change of share capital in the most recent year and up until the publication date of annual report

Unit: thousand shares; NTD thousands

Year/ Month	Issuance price	Authorized capital		Paid-up capital		Remarks		
		No. of shares	Amount	No. of shares	Amount	Source of capital	Paid in properties other than cash	Others
1989.11	10	8,000	80,000	8,000	80,000	Initial share capital	None	—
1991.08	10	10,400	104,000	10,400	104,000	Cash issue NT\$24,000,000	None	—
1998.10	10	17,000	170,000	17,000	170,000	Cash issue NT\$66,000,000	None	—
1999.12	10	27,000	270,000	27,000	270,000	Cash issue NT\$45,600,000 Capitalization of earnings NT\$6,800,000 Capitalization of capital reserves NT\$47,600,000	None	Note 1
2000.06	17	50,000	500,000	34,659	346,590	Cash issue NT\$45,000,000	None	Note 2
	10					Capitalization of earnings NT\$31,590,000		
2001.06	10	50,000	500,000	40,551	405,510	Capitalization of earnings NT\$58,920,000	None	Note 3
2001.09	12.5	50,000	500,000	44,606	446,061	Cash issue NT\$40,551,000	None	Note 4
2002.07	10	50,000	500,000	49,067	490,667	Capitalization of earnings NT\$16,370,000 Capitalization of capital reserves NT\$28,236,000	None	Note 5
2004.11	10	50,000	500,000	40,634	406,336	Capital reduction against losses NT\$84,332,000	None	Note 6
2006.07	10	50,000	500,000	41,971	419,711	Capitalization of capital reserves NT\$13,375,000	None	Note 7
2008.10	10	50,000	500,000	43,650	436,499	Capitalization of earnings NT\$16,788,000	None	Note 8
2009.06	10	70,000	700,000	51,650	516,499	Cash issue NT\$80,000,000	None	Note 9
2010.08	10	70,000	700,000	53,716	537,159	Capitalization of earnings NT\$20,660,000	None	Note 10
2011.05	15.5	70,000	700,000	60,432	604,319	Cash issue NT\$67,160,000	None	Note 11
2011.11	10	100,000	1,000,000	62,849	628,492	Capitalization of earnings NT\$24,173,000	None	Note 12
2012.09	10	100,000	1,000,000	64,106	641,062	Capitalization of capital reserves NT\$12,570,000	None	Note 13
2014.08	10	100,000	1,000,000	65,388	653,883	Capitalization of earnings NT\$12,821,000	None	Note 14
2015.05	10	100,000	1,000,000	67,350	673,500	Capitalization of earnings NT\$19,616,000	None	Note 15
2015.06	10	100,000	1,000,000	75,350	753,500	Cash issue NT\$80,000,000	None	Note 16
2016.06	10	100,000	1,000,000	76,857	768,570	Capitalization of earnings NT\$15,070,000	None	Note 17
2017.06	10	100,000	1,000,000	78,394	783,941	Capitalization of earnings NT\$15,371,000	None	Note 18
2018.06	10	100,000	1,000,000	80,746	807,459	Capitalization of earnings NT\$23,518,000	None	Note 19
2019.06	10	120,000	1,200,000	82,361	823,608	Capitalization of earnings NT\$16,149,000	None	Note 20

Date, approval reference, and amount of capital increase for years 1999-2002, 2004, 2006, 2008-2012, and 2014:

- Note 1: Increased NT\$100,000,000 of share capital in 10,000,000 shares (NT\$45,600,000 from cash, NT\$6,800,000 from earnings, and NT\$47,600,000 from capital reserves) under the approval of Correspondence No. (1999)-Tai-Tsai-Cheng-(I)-107263 dated December 21, 1999.
- Note 2: Increased NT\$76,590,000 of share capital in 7,659,000 shares (NT\$45,000,000 from cash and NT\$31,590,000 from earnings) under the approval of Correspondence No. (2000)-Tai-Tsai-Cheng-(I)-50311 dated June 12, 2000.
- Note 3: Increased NT\$58,920,000 of paid-up capital in 5,892,000 shares (NT\$58,920,000 from earnings) under the approval of Correspondence No. (2001)-Tai-Tsai-Cheng-(I)-144739 dated July 13, 2001.
- Note 4: Increased NT\$40,551,000 of share capital in 4,055,000 shares (NT\$40,551,000 from cash) under the approval of Correspondence No. (2001)-Tai-Tsai-Cheng-(I)-160993 dated October 3, 2001.
- Note 5: Increased NT\$44,606,000 of share capital in 4,461,000 shares (NT\$16,370,000 from earnings and NT\$28,236,000 from capital reserves) under the approval of Correspondence No. Tai-Tsai-Cheng-I-0911041591 dated July 25, 2002.
- Note 6: Reduced NT\$84,332,000 of share capital in 8,433,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-I-0930147634 dated November 2, 2004.
- Note 7: Increased NT\$13,375,000 of share capital in 1,337,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-I-0950122738 dated June 6, 2006.
- Note 8: Capitalized NT\$16,788,000 of earnings in 1,679,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-I-0970040325 dated August 8, 2008.
- Note 9: Made cash issue of NT\$80,000,000 in 8,000,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-I-0980010790 dated March 20, 2009.
- Note 10: Capitalized NT\$20,660,000 of earnings in 2,066,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-0990042107 dated August 11, 2010.
- Note 11: Made cash issue of NT\$67,160,000 in 6,716,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1000010915 dated March 25, 2011.
- Note 12: Capitalized NT\$24,173,000 of earnings in 2,417,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1000036268 dated August 4, 2011.
- Note 13: Capitalized NT\$12,570,000 of capital reserves in 1,257,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1010035928 dated August 15, 2012.
- Note 14: Capitalized NT\$12,821,000 of earnings in 1,282,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1030025112 dated July 2, 2014.
- Note 15: Capitalized NT\$19,616,000 of earnings in 1,962,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1040014635 dated April 29, 2015.
- Note 16: Made cash issue of NT\$80,000,000 in 8,000,000 shares under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1040014634 dated May 7, 2015
- Note 17: Capitalized NT\$15,070,000 of earnings in 1,507,000 shares on June 24, 2016.
- Note 18: Capitalized NT\$15,371,000 of earnings in 1,537,000 shares on June 19, 2017.
- Note 19: Capitalized NT\$23,518,000 of earnings in 2,352,000 shares on July 13, 2018.
- Note 20: Capitalized NT\$16,149,000 of earnings in 1,615,000 shares on June 28, 2019.

2. Share categories:

Share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	82,360,826 shares	37,639,174 shares	120,000,000 shares	TPEX listed shares

(II) Shareholder structure

Shareholder structure Count	Government Institution	Finance Institution	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
	Participant count	0	0	29	4,320	18
Shares held	0	0	8,820,404	72,505,849	1,034,573	82,360,826
Shareholding percentage (%)	0.00%	0.00%	10.71%	88.03%	1.26%	100.00%

(III) Ownership dispersion

April 2, 2024

Shareholding range	Shareholder count	Shares held	Shareholding percentage (%)
1 to 999	1,647	242,661	0.30%
1,000 to 5,000	1,822	3,831,632	4.65%
5,001 to 10,000	389	2,931,008	3.56%
10,001 to 15,000	128	1,571,353	1.91%
15,001 to 20,000	77	1,386,648	1.68%
20,001 to 30,000	85	2,132,731	2.59%
30,001 to 40,000	45	1,521,599	1.85%
40,001 to 50,000	26	1,174,692	1.43%
50,001 to 100,000	41	2,950,083	3.58%
100,001 to 200,000	43	5,956,325	7.23%
200,001 to 400,000	17	4,379,162	5.32%
400,001 to 600,000	22	10,825,956	13.14%
600,001 to 800,000	6	4,018,779	4.88%
800,001 to 1,000,000	3	2,687,370	3.26%
1,000,001 and above	16	36,750,827	44.62%
Total	4,367	82,360,826	100.00%

(IV) List of major shareholders

April 2, 2024

Name of major shareholder	Shareholding	Shares held	Shareholding percentage (%)
Chung-Tang Chang		6,700,207	8.14%
Ah-Ming Chen		4,998,802	6.07%
Ho-Pin Lin		2,622,121	3.18%
Mei-Ching Liu		2,524,897	3.07%
Uei-Want Industrial Co., Ltd.		2,500,000	3.04%
Guang-Rong Investment Co., Ltd.		2,424,363	2.94%
San-Che Chen		2,101,197	2.55%
Li-Chang Chen		1,867,112	2.27%
Chuang Hung-Nien		1,633,157	1.98%
Chia-YIng Chang		1,566,222	1.90%

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Unit: NTD

Item		Year		During the year until March 31, 20234(Note 7)	
		2022	2023		
Market price per share (Note 1)	High	22.70	21.55	17.45	
	Low	17.10	16.80	16.75	
	Average	19.70	18.70	17.10	
Net worth per share (Note 2)	Before distribution	16.10	14.85	—	
	After distribution	16.10	—	—	
Earnings per share (Note 3)	Weighted average outstanding shares		82,361	82,361	82,361
	Earnings per share	Before retrospective adjustment	3.20	0.01	—
		After retrospective adjustment	3.20	0.01	—
Dividends per share	Cash dividends		Distribution 1.2	Distribution 0.4 (Note 3)	—
	Stock dividends	From earnings	—	—	—
		From capital reserves	—	—	—
	Cumulative unpaid dividends		—	—	—
Analysis of investment returns	P/E ratio (Note 4)		6.43	1,870.00	—
	Price to dividends ratio (Note 5)		17.13	46.75	—
	Cash dividend yield (Note 6)		5.84%	2.14%	—

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Based on the earnings distribution resolved by the board meeting on March 12, 2024.

Note 3: The 2023 earnings were resolved and passed by the board meeting on March 12, 2024.

Note 4: P/E ratio = average closing price per share for the year / earnings per share.

Note 5: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 6: Cash dividend yield = cash dividends per share / average closing price per share for the year.

(VI) Dividend policy and execution

1. Dividend policy

According to Article 30-1 of the Articles of Incorporation, earnings concluded from a year are to be allocated in the following order:

- (1) Taxation
- (2) Compensation of losses
- (3) 10% provision for legal reserve
- (4) Provision for special reserve as deemed necessary

The remainder plus undistributed earnings carried from previous years and current year's adjustments may be distributed at board of directors' proposal. Distribution of earnings that involves issuance of new shares is subject to resolution in a shareholder meeting.

Any cash distribution of dividend, profit, legal reserve, or capital reserve, whether in whole or in part, may be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

The Company is currently in a stage of consistent growth. After taking into consideration shareholders' interests and the Company's financial position and long-term prospects, no more than 90% of distributable earnings shall be issued as dividends, with cash dividends amounting to no less than 10% of total dividends.

2. Dividend distribution resolved by the board of directors in the current year

On March 12, 2024, the Company's Board of Directors resolved the distribution of NT\$32,944,330 (equivalent to NT\$0.4 per share) all as cash dividends from the 2023 distributable earnings.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable as no stock dividend was proposed.

(VIII) Employee and director remuneration

1. Percentage or range of employee and director remuneration stated in the Articles of Incorporation

According to Article 30 of the Articles of Incorporation, the Company shall allocate 5%-10% of current year's profits as employee remuneration, and may allocate no more than 3% of profit as director remuneration. However, profits must first be taken to offset against cumulative losses if any.

The annual profit mentioned in the above Paragraph shall refer to pre-tax profit before employees' and directors' remuneration in the current year. Employee remuneration can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria.

Distribution of employee/director remuneration is subject to resolution in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors. This decision must also be reported in shareholder meeting.

2. Basis of calculation for employee/director remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

The Company did not distribute employee bonuses and director remuneration for 2023 due to a loss before tax. The basis for estimation is the profitability for the year. The estimated amounts of employee remuneration and director remuneration were recognized either as operating cost or operating expense for the given period; should

the board of directors resolve a different amount on a later date, the difference will be adjusted to profit or loss in the year the decision is made.

3. Remuneration passed by the board of directors

- (1) Amount of employee and director remuneration paid in cash or shares; disclose the amount, causes and treatment of any differences between the amount paid and the amount estimated in the year the expense was recognized

The Company's Board of Directors resolved on March 12, 2024, not to pay 2023 cash remuneration to employees and directors.

- (2) Sum and percentage of employee remuneration paid in shares, relative to net income and total employee remuneration shown in current separate and standalone financial statements: Not applicable.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause and how it is treated

On March 17, 2023, the Board of Directors approved the distribution of cash remuneration for 2022 to employees at a total of NT\$20,000,000 and to directors at a total of NT\$8,500,000. These amounts are consistent with the recognized expenses in 2022 for employee remuneration and director remuneration.

The actual amount of 2022 director remuneration paid was the same as the amount resolved by the board meeting and the amounts previously recognized.

(IX) Buyback of company shares: None.

II. Corporate bonds (including offshore corporate bonds):

None.

III. Preferred shares:

None.

IV. Issuance of global depository receipts:

None.

V. Employee warrants:

None.

VI. Employee restricted shares:

None.

VII. New shares issued for merger or acquisition:

None.

VIII. Progress on planned use of capital

(1) Plan details

Uncompleted securities offering or private securities placement or any capital plans completed in the last three years that have yet to yield the desired outcome: None.

(2) Execution progress: None.

Five. Operational Overview

I. Business activities

(II) Scope of business

I. Principal business activities

- (1) Manufacturing, processing, and trading of PU resin for footwear, PU resin for dry-processed and wet-processed synthetic leather, and various forms of synthetic resin.
- (2) Manufacturing, processing, and trading of industrial adhesives and trading of related auxiliaries.
- (3) Coating, lamination, processing, and trading of moisture moisture permeable waterproof fabrics and PU for synthetic leather.
- (4) Manufacturing and trading of curing agents.
- (5) Trading of photoinitiator and chemical products.
- (6) Manufacturing and trading of plastics.
- (7) Trading of the materials mentioned above.
- (8) Import, export, and trading of the abovementioned products.

II. Main products and weight

Unit: NTD thousands

Main products		2022		2023	
		Net operating income	Percentage of revenue	Net operating income	Percentage of revenue
Coating and lamination		1,137,143	52.00%	765,789	48.45%
Resin (including processing)		225,538	10.31%	189,175	11.97%
Special chemicals	Curing agent (including processing)	446,412	20.42%	347,553	21.99%
	Photoinitiator	31,486	1.44%	31,220	1.97%
TPU		227,342	10.40%	184,241	11.66%
Footwear		118,720	5.43%	62,630	3.96%
Total		2,186,641	100.00%	1,580,608	100.00%

III. Current products of the Company

The Company currently offers products in four categories, namely coating and lamination, resins, special chemicals, and footwear. Below is a description of the different product categories and the current state of industry:

Main product categories		Main purpose or function
Coating and lamination		Lamination and moisture permeable, waterproof coating of footwear, handbag, garment, PU for synthetic leather, and TPU film
Resin		PU resin for dry/wet processed synthetic leather, PU resin for footwear, resin for PU elastomer, moisture permeable and waterproof resin, water-based PU resin
Special chemicals	Curing agent	Curing agent for industrial roller, wheel, insulation varnish, and packaging material
	Photoinitiator	Photoinitiator for UV ink and optical fiber
TPU products		<ol style="list-style-type: none"> 1. Garments: TPU waterproof moisture permeable film 2. Footwear materials: High frequency welding, brand Logo, no sewing vamp 3. Medical: Medical bedding tube, medical rehabilitation inflatable materials 4. Outdoor activities: Outdoor air mattress, water bag
Footwear		OEM production of moisture permeable, waterproof recreational footwear.

IV. New products planned for the future

- High flexibility - softness - three-layer belt
- Smart medical bed products
- Water-based pre-colored rubber (biomass content > 35%)
- Fluorine-free water-repellent fabric bonding primer
- Waterborne composite packaging resins
- Water-based fabrics for leather use
- High-resilience TPU foam
- Melt-blown TPU

(III) Industry overview

I. Current and future industry prospects

(1) Current state of industry

① Coating and lamination

Direct coating and lamination is downstream to polymer resins, and involves processing of fabrics from the upstream. The process is classified as "other finishing" of the dyeing and finishing industry, and is defined as the use of soaking, coating, layering, or laminating techniques to attach water-based materials, solvent liquid, polyurethane (PU), polyvinyl chloride (PVC), silicon, acrylic, neoprene, foam, or other plastic materials onto textile materials.

Ongoing globalization and advancement in textile technology have brought people's attention to performance apparel, thereby increasing demand for functional fabrics. Products from moisture permeable, waterproof diving suits, windbreakers, and snow suits, fire-retardant fire proximity suits to anti-static and antibacterial surgical gowns and bed sheets all require highly professional coating and lamination, and this technology is one area where Taiwan rivals with European and American competitors and leads Mainland counterparts by far.

Moisture permeable and waterproof fabric (a specialized fabric), in particular, has been the major source of profit for Taiwanese fabric manufacturers in recent years. Many sizable manufacturers in Taiwan such as Formosa Taffeta, Nam Liong, Li Peng, Everest Textile, Far Eastern, Chang Ho, Minlan, Pepwing, Shen Yong Ming etc. have all introduced different types of moisture permeable and waterproof fabrics, and are supplying them in high volume to world's reputable brands like Nike, Adidas, Benetton, Hugo Boss, Champion, Columbia, and The North Face for use in windbreakers, jackets, mountaineering suits, ski suits, hats, and footwear. Any performance apparel sold in a recreational clothing store that advertises being moisture permeable and waterproof can be sold at prices that are many times higher than ordinary garments. The U.S. company - Gore, for example, introduced its own patented moisture permeable waterproof fabric called GORE-TEX® that gained wide popularity among consumers, making them an essential gear for hikers. However, most average consumers are deterred by the high price tags associated with such a premium product. As an alternative, the industry came up with the idea of laminating TPU materials with knitted or woven fabrics to make products that are "comfortable to wear and priced for the masses." Driven by increasing demand for moisture permeable waterproof apparels from consumers around the world, new processes such as PU coating, lamination of TPU films and Teflon films etc. were introduced to make garments that retain warmth without feeling stuffy, a feature that became highly popular in Europe and America. Meanwhile, Gore introduced a WINDSTOPPER® lineup for cycling and hiking that, too, received favorable rating from the market.

There is currently a plethora of businesses in Taiwan that perform coating and lamination processes, but most of which do so as part of a vertical integration and do not provide such service alone; for these businesses, coating and lamination make up a low percentage of overall revenues. For the few businesses that are not vertically integrated, they serve the end-user market and make fabrics for downstream uses such as garment and healthcare depending on customers' requirements.

② PU resins

Being a part of the petrochemical industry, synthetic resin has contributed significantly to Taiwan's economic growth and is needed as a fundamental industrial material. The material offers uses so extensive that countries around the world are committing substantial capital and manpower into development.

Taiwan produces synthetic resins primarily for downstream uses such as adhesive, coating material, plastic processing, FRP, and synthetic leather, and its reputation for making high-quality plastics has been a key driver to the domestic synthetic resin industry. Furthermore, Taiwan has a well-established petrochemical industry to supply raw materials for making synthetic resins, and the completion of Formosa Plastics' Sixth Naphtha Cracker further secures supply of petrochemical materials in the upstream.

Synthetic resin offers extensive consumer and industrial applications from electronics, electrical engineering, architecture, automobile, textile, dyeing and finishing, plastics, rubber, footwear, furniture, adhesive tape, paint, leather to ink that make it less susceptible to the cyclicity of any single industry. The table below summarizes the production and sales of synthetic resins made in Taiwan during the past five years. It shows a long-term upward trend despite the fluctuations in production and sales due to COVID-19.

Production and sale of synthetic resins in the last 8 years

Year	Production				Sales			
	Volume	Growth rate	Production value	Growth	Volume	Growth rate	Sales value	Growth
	(MT)	(%)	(NTD millions)	(%)	(MT)	(%)	(NTD millions)	(%)
2016	3,910,897	3.79	184,211	(4.23)	3,602,571	2.91	168,838	(4.00)
2017	3,994,982	2.15	214,491	16.44	3,735,686	3.70	198,621	17.64
2018	3,982,775	(0.31)	228,615	6.59	3,709,544	(0.70)	210,036	5.75
2019	3,977,106	(0.14)	199,832	(12.59)	3,744,772	0.95	185,690	(11.59)
2020	3,937,320	(1.00)	179,401	(10.22)	3,738,063	(0.18)	168,110	(9.47)
2021	4,173,782	6.01	268,270	49.54	3,869,540	3.52	243,956	45.12
2022	3,434,156	(17.72)	217,853	(18.79)	3,252,029	(15.96)	202,321	(17.07)
2023	3,149,813	(8.28)	162,617	(25.35)	2,914,590	(10.38)	149,273	(26.22)

Source: Department of Statistics, Ministry of Economic Affairs

Note: 1. Synthetic resins in the above chart include polystyrene (PS), ABS resin, unsaturated polyester (UP) resin, phenol formaldehyde (PF) resin, epoxy, PU resin, and other resins.

2. Year-on-year growth was calculated by prorating previous year's figures.

③ Special chemicals

According to the Production Monthly Statistics Report published by the Industrial Development Bureau, Ministry of Economic Affairs, Taiwan produces special chemicals primarily for five industries, namely "Pesticide and environmental health supply manufacturing," "Coating, dyeing, and coloring materials

manufacturing," "Cleaning supply manufacturing," "Cosmetics manufacturing," and "Other chemical manufacturing." The latter category - "Other chemical manufacturing" further encompasses "Stabilizers," "Other industrial catalysts and additives," "Industrial additives," "Chemical treatment agents for electronics," and "Other sundry chemical products."

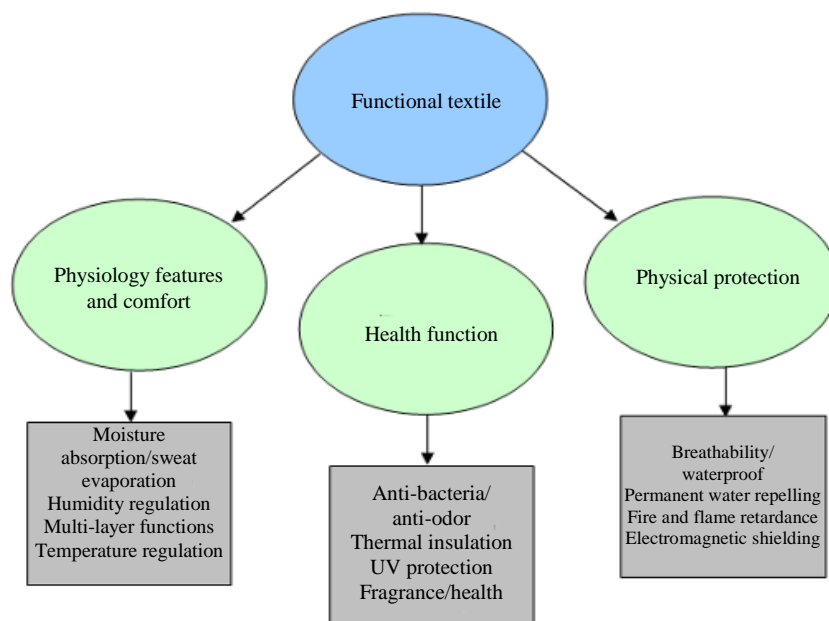
Curing agent, which includes amines such as 4,4'-methylenebis(2-chloroaniline) and 4,4'-Methylenedianiline, is a sub-category of special chemicals, and there are very few businesses in Taiwan capable of mass production. Curing agents are mainly used for PU elastomer and epoxy in applications such as industrial roller, skate wheel, PU track, waterproofing, packaging, and anti-corrosion coating. The Company is currently working with reputable foreign manufacturers to explore more diverse product uses and to develop products that offer unique features and market potentials.

Photoinitiator is another important special chemical. It is commonly found in green, blue, and black ink, and is often used to make photoresist or solder resist ink for electronics, wood paint, varnish, clear coating, UV coating, and UV adhesive. Although this product is mainly produced by large foreign manufacturers such as CIBA, BASF, and LAMBSON, the Company has been able to appeal to a large number of customers by offering exceptional quality at reasonable price.

(2) Future development

① Performance apparel

Performance apparel refers to garments made with special fibers. What distinguishes them from general garments is the use of fibers that offer special features such as antibacterial, anti-odor, UV resistance, anti-resistance, fire resistance, wind resistance, and anti-static. As consumer behaviors change, the emphasis of performance apparel has expanded from the functions they offer to include factors such as comfort and fashion.



The main features, polymer structure, and manufacturing technology of functional fibers are depicted in the figure below.

Main skillsets	Polymer and structure	Manufacturing and processing technology
Moisture absorption	Hydrophilic polymer	Surface grafting
Sweat absorption	Microporous structure	Surface grafting
Breathability/waterproof	Microfiber	Coating/lamination, high-density fabric
Water repellent, moisture retention	Water repellent, oil repellent polymer	Water repellent and oil repellent processing, coating/lamination
Smudge-proof	Smudge-proof polymer treatment agent	Coating/lamination, soaking
Thermal insulation, moisture retention	Hollow structure and thermal insulation/moisture retention polymer	Mixing, compounding, coating/lamination
Anti-bacteria, anti-odor, odor removal	Anti-bacteria, anti-odor, odor removal polymer	Mixing, compounding, coating/lamination
Anti-static, electrical conduction	Anti-static, electrical conduction polymer	Mixing, compounding, coating/lamination
Flame retardance	Flame retardance polymer	Mixing, coating/lamination
Electromagnetic shielding	Anti-electromagnetic polymer	Coating/lamination, electroplating
UV shielding	UV absorption polymer	Mixing, coating/lamination
Anti-radiation	Anti-radiation polymer	Mixing, coating/lamination
Negative ion	Negative ion polymer	Mixing, compounding
Fragrance	Fragrance, forest bathing polymer	Mixing, compounding, coating/lamination

The key manufacturing/processing technologies used are explained below:













- A. Surface grafting: The base material is first chemically treated so that the fiber surface can be bonded with a functional layer and made into functional fabric.
- B. High-density fabric: The fabric achieves "structural waterproofing" by greatly increasing the density of fibers, narrowing the gap between fibers, and applying water repellents and fillers of different specifications depending on the market's needs. By controlling the size of gaps between fibers, manufacturers are able to achieve the right level of breathability and waterproof required by customers. This technology is suitable for products such as recreational jacket, windbreaker, and downs jacket.
- C. Mixing: A yarn-spinning method that alters the physical property, and is one of the most popular technologies used for developing functional fiber. The technology mainly involves adding/mixing functional additives or dispersing agents into the spinning compound or the melted compound, and spinning yarns that can be made into functional materials.
- D. Compounding: The purpose of this process is to make compound fibers or microfibers. It involves extruding yarns from two or more compounds or the same compound of different characteristics, and eliminating one particular component to make very fine fibers.
- E. Coating: The process involves coating resin or laminating high polymer material over the fabric for added functions such as waterproof and breathability. The coating method may be distinguished between direct, dry, and wet coating.

The main role of Taiwan's textile industry is to supply functional fabrics for professional sports and outdoor garments. In recent years, there has been a shift in consumers' lifestyle toward sports and recreational activities, which broadened the use of functional fabrics from sports and outdoor garments to general, daily lifestyle garment.

Apparel is the most popular end product for functional textile, with sports and outdoor garments making up the majority of products. In terms of industry classification, the Company is considered a manufacturer of "Functional outdoor textile products" under "Clothtech." Functional outdoor textile product refers to sports garment that contains functional fiber, and is considered a type of active sportswear. The type of garment we wear when engaging in sports or outdoor activities (such as hiking, camping etc.) affects comfort, warmth, and safety, and functions such as thermal insulation and wind resistance are especially critical for certain outdoor activities.

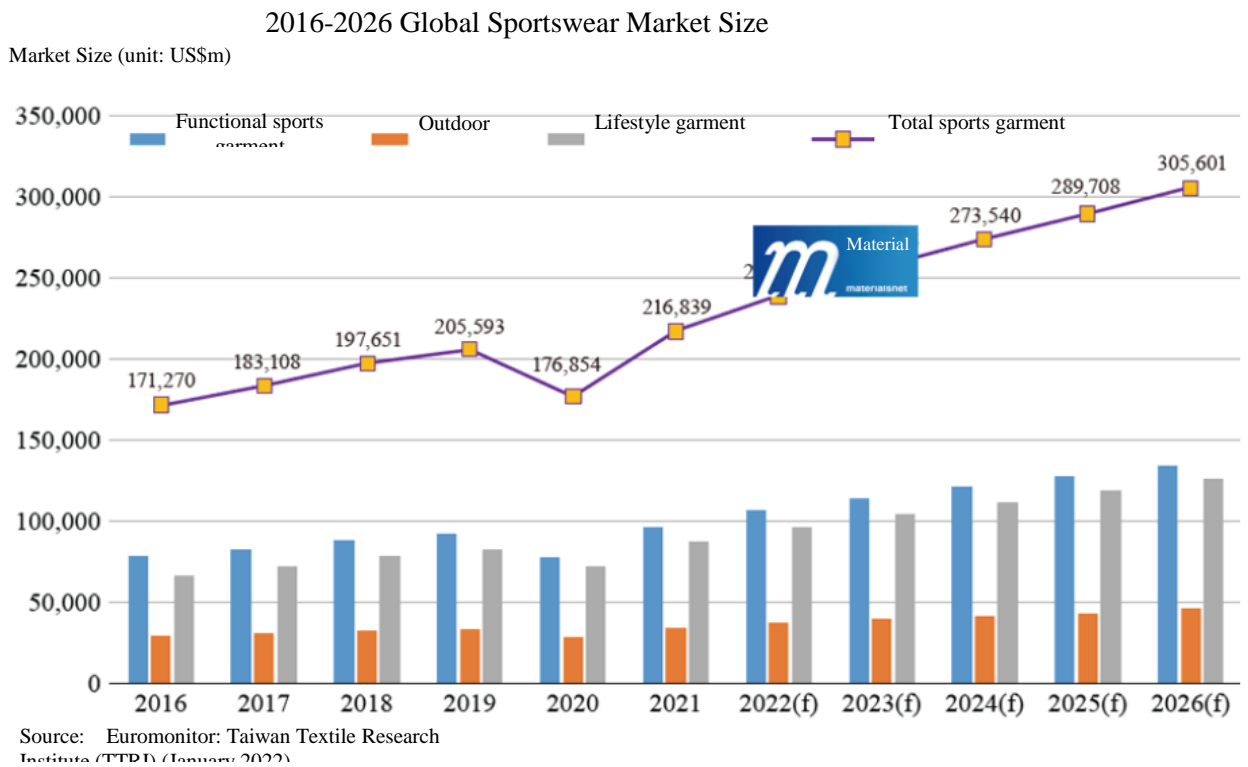
Considering that nowadays people value the importance of their own health and try ways to relieve all kinds of pressure and experience different activities in daily lives, consumers at home and abroad are more interested in participating in road running, fitness, yoga and ball games, and other more outdoor recreational activities such as surfing, mountaineering and rock climbing. Under this trend, the potential market for outdoor activity textiles still has room for growth.

The IFAI (Industrial Fabrics Association International) introduces 12 major categories:

 Mobiltech	 Protech
 Buildtech	 Packtech
 Geotech	 Medtech
 Indutech	 Sporttech
 Agrotech	 Clothtech
 Oekotech	 Homotech

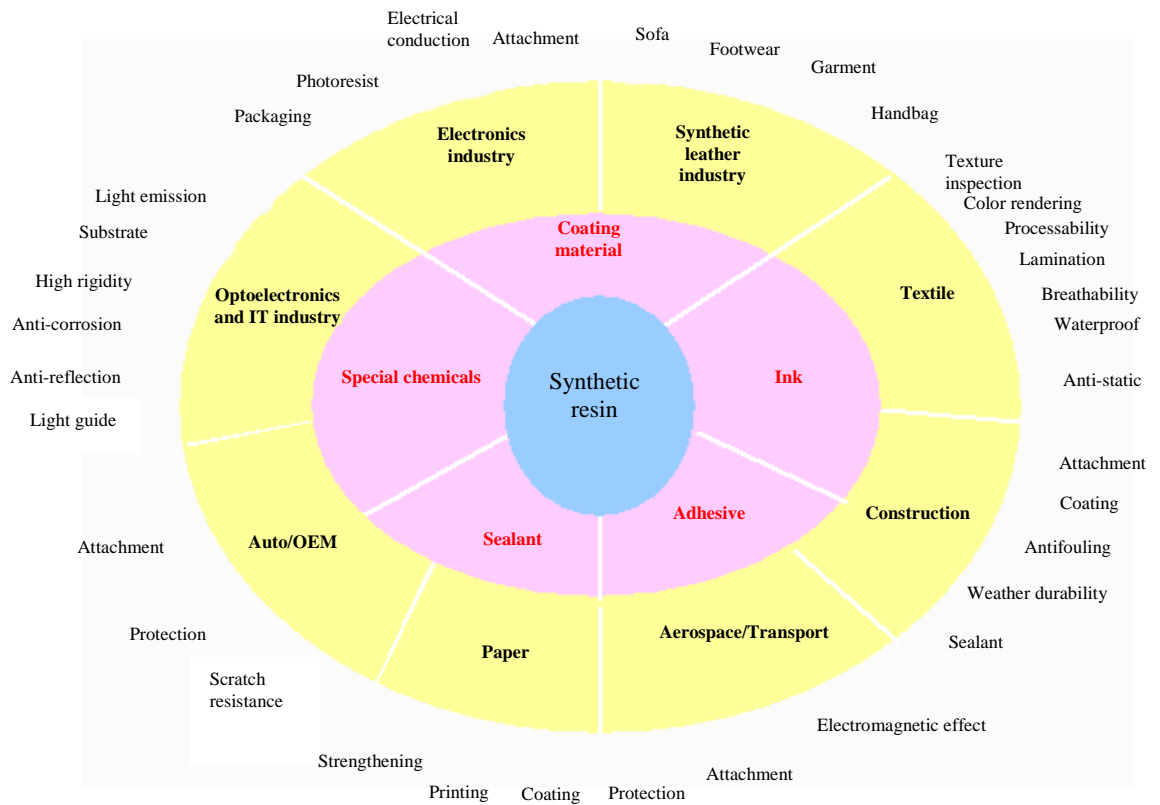
The Company is considered a manufacturer of functional outdoor textile products under Clothtech.

The Euromonitor 2021 global apparel and global sportswear market size report indicated that the global overall apparel market size was US\$1,368.7 billion, of which the sportswear market size was US\$216.8 billion (as shown in Figure 3). The sportswear market size is estimated to grow annually, reaching US\$305.6 billion in 2026, with functional sportswear accounting for the highest proportion. With the global trend of sports and leisure fashion, the demand for apparel that combines fashion, functionality, and versatility will continue to expand. Functional sportswear is one of the fastest-growing markets in the textile industry.



② Synthetic Resin Industry

The Company's Polymer Department produces synthetic resin and related



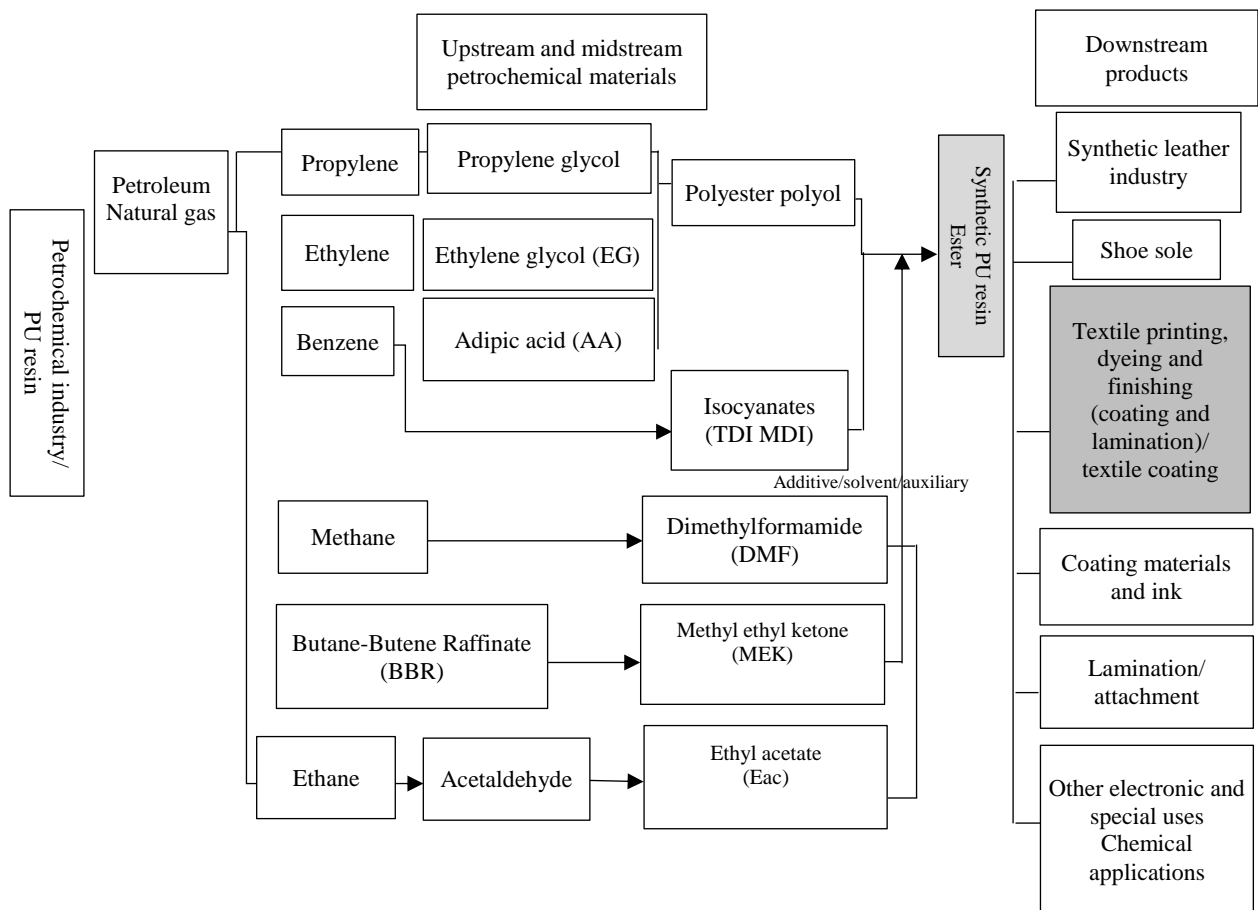
products. Synthetic resin is a type of synthetic high polymer used primarily for making plastic materials. It often has auxiliaries added for ease of processing and performance improvement, and are sometimes processed and formed without auxiliaries. Synthetic resin is also a base material used for making synthetic fibers, coating materials, adhesives, and insulation materials.

The synthetic resin industry sources raw materials from the downstream of the petrochemical industry, and there are many downstream uses of synthetic resin. As depicted in the figure below, synthetic resin has five major uses, namely: coating material, ink, adhesive, sealant, and special chemicals. Its formula can be adjusted to deliver such a broad diversity of physical properties and functions that makes it an essential part of virtually every industry from electronics, synthetic leather, synthetic fiber, construction, aerospace, transportation, paper making, automobile to optoelectronics and information. This is why competitiveness of the synthetic resin industry has a profound effect on the growth of a nation's overall economy.

The synthetic resin industry and applications

Source: IEK, Industrial Technology Research Institute

2. Association between upstream, midstream, and downstream industry participants



3. Product trend and competition

The Company's products are mainly used for the production of daily supplies, textile goods, construction materials, and industrial supplies. Considering how economic growth, population growth, and rising awareness for environmental protection increase dependency for synthetic resins, demand should continue to rise in line with economic growth. The Company's product portfolio mainly comprises coating, lamination, TPU film, and special chemicals; its attention to product development combined with adequate research capacity and abundant experience have earned itself strong competitive advantage and reputation among peers.

(1) Product trends

① Coating and lamination

Conventional textile products are made using common processes such as yarn spinning, weaving, dyeing, and finishing, and plastic materials (e.g. PVC) may be added for processing in some circumstances. The market and competition for such products are overly saturated, and due the industry's labor-intensive nature, most industry participants have chosen to migrate production activities to the Mainland. Coating and lamination is a process that brings useful functions such as breathability, waterproof, fire retardance, anti-bacteria, anti-odor, and UV resistance to conventional textile, thereby providing consumers with greater diversity of products. The industry currently exhibits the following trends:

- A. Coating and lamination processes that are less sophisticated will gradually migrate to emerging countries.
- B. Businesses will have to develop broader variety of processing technologies to satisfy downstream participants' one-stop shopping needs.

Textile products that are treated with coating and lamination are classified as special fabric for export purpose. Driven by the growth of economic activities and personal income, consumers now place more attention to lifestyle, healthcare, and safety than ever before, which fuels demand for performance apparel such as diving suit and snow suit, medical textile such as surgical gowns and bed sheets, and accessories made with fire-retardant materials. Demand for functional textile goods should continue to grow in the future as a result.

② Resins

Uses of conventional "solvent-type" PU resin are gradually phased out and replaced with "solvent-free" PU resin. This reform is happening on a global scale, and the environmental protection and energy conservation values that advance nations are advocating will largely determine product applications in the future. Meanwhile, uses of PU resin for general purposes such as coating and adhesive will be presented with similar challenges. Although it only takes a change of medium to turn "solvent-type" into "solvent-free," doing so would alter the property of resin as well as how it is processed for various applications. PU synthetic leather, in particular, is a whole new territory.

The use of water-based PU resin in PU synthetic leather is extremely challenging. For waterborne PU dispersions, manufacturers can apply "crosslinking" to improve physical properties for a given application, or use emulsion thickener to thicken water-based resin and either create foams through machinery or use water-based PU as adhesive. In theory, there should be no problem replacing solvent-type PU resin with water-based PU for the processing of PU synthetic leather; the process only requires persistent development and refinement from participants of the PU industry.

As for "multi-solvent type" dry PU resins, improvements will be made to the production procedures to simplify or unify the use of solvents, which is a feasible response to the tightening emission control over VOCs. Doing so would increase the efficiency at which solvent is recycled, reduce the types and volume of solvents used, simplify the recycling process, and improve the overall quality of solvents recovered. However, simplified or unified use of solvent may alter the volatility rate and reduce production speed, and any changes to the existing production procedures in response may all affect the quality, cost structure, and competitiveness of PU products. From the production of "solvent-free" PU resin and "water-based" PU resin to the simplified use of solvents, there are still many bottlenecks that have yet to be overcome and require collaboration between industry participants, the government,

and the academia to make PU synthetic leathers more economically viable, environment-friendly, and sustainable for the future.

③ Special chemicals

Research and development of special chemicals have been critical to Taiwan's industry growth. This particular segment focuses on developing industrial supplies that are less pollutive and offer high added value, and given the product's versatile applications, it is essential for manufacturers to customize according to customers' needs. For this reason, the management's ability to develop new products and control sales channels will largely determine a company's future success. The industry currently exhibits the following trends:

- A. New product developments that aim to support industry upgrade in the downstream.
- B. High degree of specialization, producing small volume in high variety.
- C. Market distinction through quality improvement.
- D. Establishment of complete marketing and service network.
- E. Industry-wide integration as a way to compete against foreign counterparts, or reducing competition through OEM with major manufacturers.

(2) Competition

The Company currently operates three main production lines and makes products including PU synthetic resin, special chemicals, and coating and lamination for special textile. Below is a description of key competitors and their main business activities:

Product line	Name of main competitor	Business activities
Coating line	Ho Chien, Hwa Sheng Hsing, Yie-Cheng, G-Fun, Formosa Taffeta, Tahsin, Everest Textile	Transfer lamination of moisture permeable and waterproof fabric, fabric lamination, sandwich lamination, wet lamination
Polymer Product line	Evermore Chemical, U-Best, DALI Polymer	PU resin
Special chemical Product line	Sunko, CIBA	Curing agent and photoinitiator

Source: Member List of Taiwan Synthetic Resin & Adhesives Industrial Association

There are two main types of processing for garment fabric: transfer lamination and wet coating. Due to differences in customers' demand and the downstream processing environment, the Company is required to adjust product formula to customers' request and work with an extensive variety of specifications. Industry participants are so diverse in terms of resource and capacity that no single business is able to meet the pricing and quality needs of all customers, therefore only very few manufacturers enjoy monopolistic advantage. The Company ventured into coating and lamination at an early

time, and has accumulated extensive experience in the business to command better R&D capacity and product yield than its peers. Local industry peers that are sizable and currently listed on TWSE/TPEX include: Formosa Taffeta, San Fang, Formosan Rubber, Hsin-Li, Pony Leather, Sun Yad, and G-Fun; among which, only the Company and G-Fun specialize in production, and the Company has advantage in terms of cost and technology because it produces its own resins for lamination.

Resins is a highly competitive industry, and the strengthening of NTD currency combined with labor shortage and rising wages in recent years have forced many downstream participants to migrate to the Mainland and Southeast Asian countries where labor is abundant and relatively cheap. This ongoing migration has led to the reduction of production capacity, causing disequilibrium in the supply and demand of PU resin in Taiwan. Price competition ensued and profit margin reduced across the industry as a result. Despite the above challenges, the Company took the initiative to improve production equipment and procedures for increased production efficiency and lower cost, while at the same time committed resources persistently into the research and development of high value-added offerings to replace overly homogeneous products. By offering products of comparable quality to imports at reasonable prices, the Company has managed to sustain competitiveness over time.

With regards to special chemicals, curing agent has been a unique product that is mass-produced only by Sunko and the Company in Taiwan. The Company is currently working with major foreign manufacturers to develop new applications for curing agent in an attempt to increase the versatility of this unique offering. As for photoinitiators, the Company has been able to develop competitive advantage by quickly entering the market with reasonable pricing at a time when foreign patents expired.

(IV) Technology and R&D overview

I. Research and development expenses

Unit: NTD thousands

Item	2023
R&D expense	37,953
Net operating revenues	1,580,608
R&D expense as a percentage of operating revenue	2.40%

II. Technologies or products successfully developed

Year	R&D progress
2023	<ol style="list-style-type: none"> 1. Water-based weatherproof color sheet/film 2. Water-based hot-melt adhesive film 3. Water-based hot-melt adhesive 4. High-resilience fill material 5. Shock-absorbing fill material 6. Water-based transfer PU resin 7. Water-based moisture-moisture permeable resin membrane

-
8. Biomass polyurethane reactive adhesives
 9. High moisture-moisture permeable moisture curable adhesive
 10. R-PET hot-melt adhesive
 11. bluesign® certified moisture permeable film
 12. Mass production technology for industrial low-permeability membrane

III. Future research and development plans and projected expenses

(1) Future R&D plans

Future technologies and R&D efforts will be directed toward capturing markets that offer higher added value, and diversifying products and services for broader market reach. Below is a description of future R&D efforts:

1. High flexibility - softness - three-layer belt
2. Smart medical mattress products
3. Bio-based water color paste (biomass content>35%)
4. Fluorine-free pretreatment fabric adhesive resin
5. Waterborne composite packaging resins
6. Water-based surface resin for leather use
7. High-resilience TPU foam
8. Melt-blown TPU

(2) Expected R&D expenses

R&D expenses are included in the annual budget. The Company spent NT\$37,953 thousand on R&D in 2023. As revenues grow, additional R&D personnel will be recruited and R&D equipment will be purchased to support future R&D plans. The budget for 2024 R&D expense is NT\$50,000 thousand.

(V) Long and short-term business plans

I. Short-term plan

- (1) Enhance group-wide resource integration and improve operating performance.
- (2) Strengthen customer relations for increased collaborative benefits.
- (3) Promote environment-friendly products and rally consumers toward social responsibilities.
- (4) Improve quality management practices to ensure the stability of product quality for better customer satisfaction.
- (5) Invest into the improvement of production procedures for reduced production cost and enhanced competitiveness.
- (6) Enhance industrial safety and health training, and improve work environment for all employees.

II. Medium and long-term plans

- (1) Maintain productive interaction with upstream and downstream partners for more stable supply and sales network.
- (2) Develop innovative products for for greater market expansion.
- (3) Train talents and enhance employee training to support business expansion efforts.

II. Market, production, and sales overview

(I) Market analysis

1. Locations where products are mainly sold

Unit: NTD thousands

Year		2022		2023	
		Amount	%	Amount	%
Domestic sale		1,667,969	76.28%	1,287,368	81.45%
Export sale	Europe	0	0.00%	1,584	0.10%
	Asia	228,295	10.44%	125,736	7.95%
	America	283,030	12.94%	158,331	10.02%
	Others	7,347	0.34%	7,589	0.48%
	Subtotal	518,672	23.72%	293,240	18.55%
Total		2,186,641	100.00%	1,580,608	100.00%

2. Market share

Product category		Details
Coating and lamination		This process applies PU lamination to produce moisture permeable and waterproof fabric, medical fabric, blackout fire-retardant fabric, heat-resistant washed fabric, any high-end fabric with laminated TPU film, tarp, 2-layer laminates, and 3-layer laminates. In terms of sales destination, 16% of the products are directly exported while 84% of the products are indirectly exported. Export destinations mainly include Europe, USA, Japan, and Southeast Asia. The Company currently has approximately 10%-15% share of the domestic market.
PU resin		The Company mainly sells resin for garments; 78% of the products are sold domestically while 22% are exported. The Company currently occupies approximately 20% share of the local market.
Special chemicals	Curing agent	The Company mainly sells MOCA and MDA; 68% of the products are sold to Japan, Korea, USA, and Singapore, while 32% are sold domestically. The Company currently occupies approximately 40% share of the local market.
	Photoinitiator	Products are sold in Taiwan and to Japan, Europe, and USA. The Company currently occupies approximately 20% share of the local market.

3. Future market supply, demand, and growth

(1) Supply

Taiwan's coating and lamination industry exhibits high degree of seasonality, and considering the fact that medium and small manufacturers are unable to expand equipment and capacity for seasonal demand, large players should continue to dominate the industry in the future, and it is unlikely to see any significant increase in supply volume over the short term.

Taiwan's synthetic resin manufacturers have developed strong competitiveness over the last several decades. Given its position in the midstream and downstream of the petrochemical industry, production of synthetic resin involves sophisticated know-how and highly specialized personnel that present significant barriers of entry. For this reason, it is unlikely to see new competitors or any significant increase in supply volume over the short term.

(2) Demand

Evolution and expansion of performance apparel are being driven not only by people's pursuit for performance, but by changes to the work environment, climate, and physical protection requirements as well. As people spend more time on recreational activities, they demand a broader range of garments with functions and added values, which in turn supports the growth of performance apparels. Consumers are willing to pay premium for these products mainly because of the advertised functions and the prospect of engaging in their activities with optimal comfort, safety, and performance.

Performance apparel used to be dominated by sports and outdoor garments; it was not until recent years when consumers started demanding performance apparels "partially for sports and partially for everyday wear" that the lines between homewear and sportswear began to blur, and gave rise to a new category of Lifestyle apparel.

Sports and recreation have become the new fashion trend in Europe and USA, meaning that lifestyle garments are no longer confined to fitness centers. World's leading sports garment brands including NIKE, UA, Adidas, and Lululemon have all jumped onto the trend, and their main suppliers consist entirely of Taiwanese manufacturers. Wei-Chi Huang, President of Taiwan Textile Federation (TTF), said that Taiwan is currently world's main supplier of synthetic fibers, and as many as 70% of the world's reputable brands source functional fabrics from Taiwan. Below is an overview of the performance apparels industry.

According to the report published by the market research agency Maximize Market Research, in 2022, the global functional clothing market reached US\$294.7 billion, and it is expected to expand to US\$492.86 billion by 2029, with a compound annual growth rate (CAGR) of 7.62%. Functional clothing refers to clothing that, in addition to providing basic protection and comfort, has specific

functions, including waterproof, moisture permeable, moisture-absorbent and thermal regulation. Functional clothing is usually made with high-tech materials and structural technology, so it offers unique performance. For example, the fabric used in moisture-absorbent shirts can absorb perspiration from the body so that it can be quickly evaporated.

Functional clothing is designed with a focus on functionality such as moisture wicking, heat insulation, UV protection, odor control and durability. Functional apparel has a wide range of applications, such as sportswear, outdoor apparel, medical uniforms, military and protective equipment and work clothes. The development and use of advanced materials and technologies significantly promote the growth of the performance apparel market.



4. Competitive advantage

(1) R&D capacity

Chemical engineering is a technology-intensive industry, and only with an experienced and efficient R&D team may businesses deliver high quality, stay competitive, and gain market share over time. Since the establishment of a dedicated R&D Center, the Company has successfully developed and mass-produced several coating/lamination products, PU resins, curing agents, and photoinitiators that contributed significantly to business performance. This R&D team that is capable of

keeping up with market trends and introducing products to the market's needs has been critical to the competitiveness of the Company.

(2) Quality of the management team

The Company has a management team that comprises elite talents from the local petrochemical industry. Their strong knowledge in the production, research, development, and marketing of PU resins, special chemicals, coating, and lamination is what enabled the Company to grow persistently over time.

(3) Marketing channels

All members of the management team have more than ten years of experience in the petrochemical industry, and are therefore well-versed in the business of selling chemicals. Combined with excellent quality and cost control, every new product introduced has been able to achieve favorable sales. For this reason, the Company considers marketing channel to be a critical factor for its growth.

(4) PU resins can be supplied to the coating department, which reduces production cost and makes pricing more competitive

The Company's polymer department produces highly moisture permeable PU resins that can be supplied to the coating department for use as raw materials, which enables the Company to introduce specialized new products more quickly than its competitors. Furthermore, the ability to source resins internally gives the Company an advantage over peers who rely on external purchase, in the case of a price competition.

5. Future opportunities, threats, and response strategies

(1) Opportunities

Department	Details
Coating and lamination	<ol style="list-style-type: none"> 1. Uses of high-tech textile are increasingly popular, thereby presenting the market with growth opportunities. 2. The Company ventured into coating and lamination at an early time, and has accumulated extensive experience in the business to command better R&D capacity and product yield than its peers. 3. The management team is highly experienced and well-versed in relevant technologies to quickly develop new products and expand customer base. 4. The Company has access to marketing channels and a sales service network that reaches hundreds of customers domestically and abroad.
Resins	<ol style="list-style-type: none"> 1. The Company has the ability to develop and produce high-performance and high-quality products, and is unaffected by price competitions in the market. 2. Key materials such as DMF and MEK are being produce domestically, which will be very helpful to lowering costs for the PU industry.
Special Special chemicals	Both the polymer segment and the coating segment have accumulated abundant experience and are very knowledgeable about the midstream and downstream applications of the special chemicals produced by the Company. This insight allows them to develop products with market potentials quickly and accurately.

(2) Threats:

Department	Details
Coating and lamination	<ol style="list-style-type: none"> 1. Mainland manufacturers are able to produce at lower cost with fewer environmental restrictions. Their dominance in low-level production affects profitability of Taiwanese manufacturers. 2. Rising environmental awareness increases cost of waste treatment, whereas rising labor awareness increases personnel cost.
Resins	<ol style="list-style-type: none"> 1. Downstream manufacturers are gradually migrating and reducing the amount of purchases in Taiwan. 2. Rigorous environmental protection requirements pose additional costs and burden.
Special Special chemicals	<ol style="list-style-type: none"> 1. Special chemicals are prone to patent expiry, which invites competition that affects product pricing and profitability. 2. Certain critical materials are sourced from few suppliers at higher price.

(3) Response strategies:

Department	Details
Coating and lamination	<ol style="list-style-type: none"> 1. Take initiative in the development of high value-adding products for improved margin. 2. Enhance production management efforts and explore ways to improve production procedures; aim to reduce manufacturing costs and minimize pollution over the course of production. 3. Install solvent recycling equipment to reduce pollution and emission from the production process.
Resins	<ol style="list-style-type: none"> 1. Expand production site overseas to serve customers up close. 2. Support development of high-performance and high value-adding products.
Special chemicals	<ol style="list-style-type: none"> 1. Direct R&D efforts toward improving product performance and develop products with distinctive advantages to maintain margins. 2. Explore supply sources and aim to increase self-sufficiency of raw materials; secure the source and quality of supply by maintaining at least two suppliers for every material.

(II) Main product applications and production processes

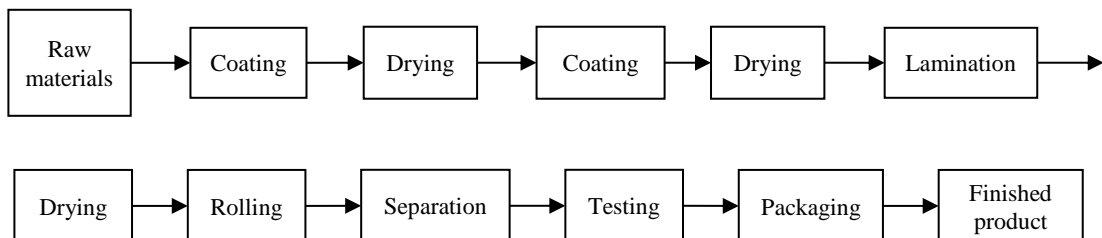
1. Main product applications

Product category		Purpose	
Professional lamination/coating of fabrics	PU transfer lamination	Moisture moisture permeable and waterproof fabric	Snow suit, diving suit, windbreaker, outdoor/sports/recreational garment
		Colored fabric	Processing of fashion garments; provides color and pattern variations
		Medical fabric	Safety vest, surgical gown, medical bed, padding, moisture permeable tape
		Fire-retardant blackout fabric	Fireproof construction materials and curtains
		Hot-pressed film	Laptop bag, electric recliner
Fabrics	Sandwich lamination	Used in gloves, sports garments, and sports shoes	

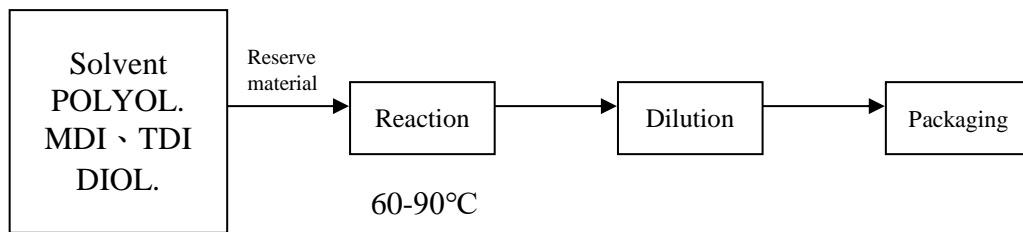
	Processing	2-layer lamination	Windbreaker, outdoor/sports/recreational garment
Resins	PU resin for Moisture moisture permeable and waterproof fabric		Coating and lamination of various fabrics
	PU resin for footwear		Shoe insole, insert, and outsole
	PU resin for synthetic leather		Dry and wet synthetic leather
	Polyester polyol		PU elastomer, PU foam, PU resin
	Resin for PU elastomer		Waterproof coating, wear resistant coating, industrial roller, industrial supply, pipeline etc.
Special chemicals	Curing agent	4,4'-Methylenebis(2-chloroaniline)	For skate wheel, roller, industrial caster wheel, waterproof material, sports flooring, and track
		4,4'-Methylenedianiline	Flooring material, packaging material, anti-corrosion coating
	Photoinitiator		Commonly found in green, blue, and black ink, and is often used to make photoresist or solder resist ink for electronics, wood paint, varnish, clear coating, UV coating, and UV adhesive
TPU Film			<ol style="list-style-type: none"> 1. Garments: TPU waterproof moisture permeable film 2. Footwear materials: High frequency welding, brand Logo, no sewing vamp 3. Medical: Medical bedding tube, medical rehabilitation inflatable materials 4. Outdoor activities: Outdoor air mattress, water bag

2. Production processes of main products

(1) Coating and lamination process for moisture permeable and waterproof products

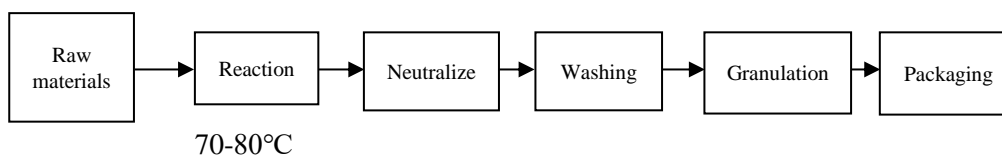


(2) Production process for resins

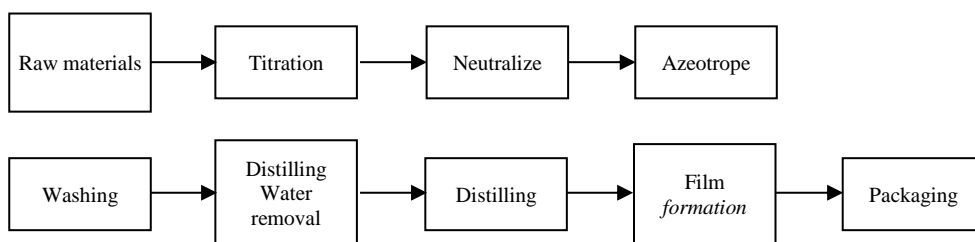


(3) Production process for special chemicals

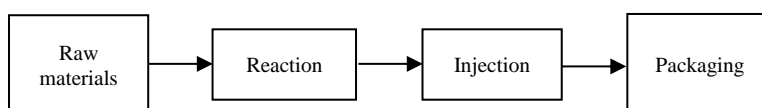
① 4,4'-Methylenebis-(2-Chloroaniline)



② 4,4'-Methylenedianiline



(4) Production process for TPU



(III) Supply of main materials

Main materials	Main suppliers	State of supply
Aniline	Domestic and overseas	Fair
TOL	Domestic	Fair
DMF	Domestic and overseas	Fair
MDI-PH	Overseas	Fair
OCA	Overseas	Fair
Formaldehyde	Domestic	Fair

(IV) Name of trade partner who has accounted more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale); describe the cause of any variation

1. List of main buyers

Item	2022				2023			
	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales of the year (%)	Relationship with the issuer
1	B1 (Note)	258,704	11.83%	None	B1 (Note)	198,560	12.56%	None
2	—	—	—	—	—	—	—	—
	Others	1,927,937	88.17%	—	Others	1,382,048	87.44%	—
	Sales Net	2,186,641	100.00%		Sales Net	1,580,608	100.00%	—

Note1: Based on the Group's consolidated revenues

Company B1's sales decreased in 2023 due to a decline in performance and fewer orders that year, resulting in lower sales.

2. List of main suppliers

No single supplier represented more than 10% of purchases in 2022 or 2023.

(V) Production volume and value in the last two years

Unit: NTD thousands; MT/thousand yards

Production Volume/Value	Year	2022			2023		
		Production capacity (Note 1)	Production volume	Production value	Production capacity (Note 1)	Production volume	Production value
Main products							
Coating and lamination		20,000	24,402	873,008	20,000	15,693	597,107
PU Resin		12,000	9,180	678,029	12,000	6,718	441,360
Curing agent		3,933	2,738	342,532	3,933	2,744	273,546
TPU(Y)		12,800	11,152	188,929	12,800	8,304	120,149
TPU(KG)		1,200	1,499	192,319	1,200	1,233	148,657
Others (Note 2)		-	5,542	244,760	-	3,111	155,862
Total			54,513	2,519,577		37,803	1,736,681

Note 1: Production capacity is calculated based on 8-hour work day.

Note 2: Production capacity is not disclosed separately for items that involve different units of calculation and are immaterial.

(VI) Sales volume and value in the last two years

Unit: NTD thousands; MT/thousand yards

Sales Volume/ Value Main products	Year	2022				2023			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Coating and lamination		27,485	957,745	674	127,511	17,112	705,442	411	60,347
PU Resin		3,039	266,207	96	11,207	2,357	166,979	184	22,196
Curing agent		1,126	164,406	1,550	282,007	1,499	170,600	1,191	176,953
TPU(Y)		6,747	170,231	49	4846	3,643	93,242	24	2,843
TPU(KG)		366	41,942	70	10323	706	79,459	60	8,697
Others (Note)		105	67,438	136	82,778	146	71,646	17	22,204
Total		38,868	1,667,969	2,575	518,672	25,463	1,287,257	1,887	293,351

Note: Others represents income from sale of merchandise.

III. Employee size, average years of service, average age, and academic background in the last 2 years up until the publication date of annual report

Year		2022	2023	2024 up until April 10
Employee count	Managerial personnel	14	14	14
	Indirect employees	99	120	123
	Direct employees	235	213	218
	Total	348	347	355
Average age		39.84	40.14	40.18
Average years of service		8.07	8.36	8.73
Academic background	Doctoral Degree	0.57%	0.86%	0.85%
	Master's Degree	7.47%	8.36%	8.73%
	Bachelor Degree	31.61%	32.85%	32.11%
	Senior high school	29.02%	28.53%	28.73%
	Below senior high school	31.33%	29.39%	29.58%

IV. Contribution to environmental protection

- (I) Total amount of loss (including compensation and violation of environmental regulations discovered by environmental audit, which shall specify the date and document number of penalty, provisions of violation, content of violation and content of penalty) due to pollution as of the most recent year and the date of publication of the annual report: November 3, 2023 (Fu-Shou-Huan-Kong-Zi No. 1130054619): The nitrogen oxides emitted from the heat medium heating process (M04) pipeline did not meet the emission standards, which was in violation of Paragraph 1, Article 20 of the Air Pollution Control Act, and the Company was fined NT\$150,000.
- (II) If the amount and countermeasures that may occur at present and in the future cannot be reasonably estimated, the facts that cannot be reasonably estimated should be explained. Countermeasures: Due to the completion of the furnace pipeline extension project, the operating parameters for the trial operation have not yet been adjusted, and there is excessive intake of atmospheric air. As a result, nitrogen oxides exceeded the standard after oxygen content correction. Afterwards, the best combustion efficiency was adjusted and personnel education and training was conducted. Regular inspections confirmed that the standard was met.

V. Labor-management relations

(I) Availability and execution of employee welfare, education, training, and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights

1. Employee welfare, education, and training

(1) Employee welfare measures and implementation

- Employees are entitled to special leave of absence and pension fund contributions under laws. An Employee Welfare Committee has been assembled to organize benefits and protect workers' rights.
- In addition to mandatory Labor Insurance and National Health Insurance coverage, all employees are also covered by additional group insurance.
- Employee health checkups are organized on a regular basis.
- Customary cash is distributed for occasions such as Labor Day, Duanwu Festival, and Mid-autumn Festival.
- Subsidies, in addition to special leave of absence, are granted for wedding, funeral, and celebrations as required by the Labor Standards Act.
- Earnings concluded by the Company may be shared with employees.
- Accommodation and meal are provided to employees.
- Role-model employees are openly commended and gifted with gold medals.
- Senior employees are openly commended and gifted with commemorative gold accessories and medals.
- Birth incentive: Childbirth subsidy and child care subsidy (age 0-4) are offered to employees (and spouse) who give birth.

(2) Ongoing education and training

The Company plans and executes annual training programs with the goal of enhancing employees' professional capabilities, work efficiency, and product quality awareness. Both internal and external training programs are organized to help employees develop professional capacities in various areas of expertise. The Company organizes the following training programs:

- ① Orientation: Provides new recruits with a basic understanding of the Company's business activities, work rules, employee benefits, and disciplinary/reward policies.
- ② Pre-job training: According to Article 16 of Worker Safety and Health Education and Training Rules, employees are required to undergo safety and health training before being assigned to a new role.
- ③ On-job training: Helps employees develop the professional skills, knowledge, and management capacity needed to perform work duties.

- ④ Specialist training: Where necessary, employees are sent to relevant institutions for training so that they can obtain professional certifications.

The Company has a set of "Education and Training Policy" in place to serve as training guideline for new recruits as well as existing employees. Training progress is consolidated by the Human Resources Department every six months, and the outcomes of which provide reference for performance evaluation.

Statistics and spending related to employee training and education in 2023:

Education/training	Internal training	External training
Enrollments	1,841	183
Training hours	4,949	1,226
Budgeted expense (NTD in thousands)	2,605	419

Note: Represents expenses paid for the training course, and excludes travel allowance, meal allowance etc.

2. Retirement system and implementation

- (1) The Company handles employees' retirement in accordance with the Labor Standards Act, and makes monthly pension fund contributions at 5% of gross salary. All pension contributions are deposited into the account held with the Trust Department of Bank of Taiwan, as instructed by the government authority.
- (2) Following the implementation of "Labor Pension Act" on July 1, 2005, the Company has been making monthly contributions equal to 6% of salary to the Bureau of Labor Insurance for employees who opted for the pension scheme introduced by the Act.

3. Enforcement of labor agreements and employee rights

The Company convenes labor-management meetings once a quarter to communicate with employees on matters concerning its operations, and thereby promote employment relations.

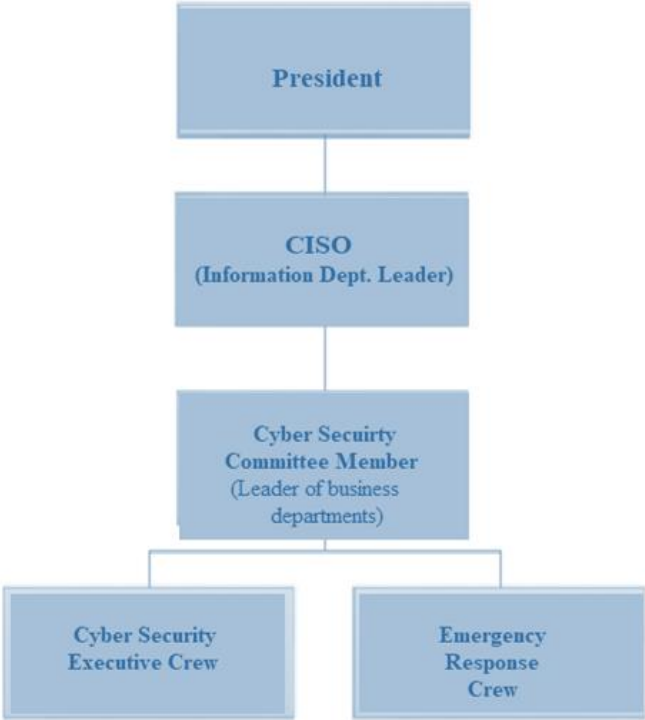
- (II) Actual or estimated losses arising as a result of employment dispute in the last two years up until the publication date of annual report, and any response measures taken: None

VI. Cybersecurity management

(I) Explain the cybersecurity risk management framework, cybersecurity policy, management practices, and resources committed.

■ **Cyber security management strategy framework**

- I. To improve and strengthen information communication security risk management, the Company has established an information communication security team and an information communication security risk management framework, and formulated information security policies.
- II. Regularly follow-up and improvement, adopt PDCA model management, continue to refine and improve, and maintain and update immediately in case of loopholes or risks to ensure availability and reduce information security risks.
- III. Structure of Cyber Security Team



■ **Cybersecurity policy**

- I. Purpose:
To strengthen information security management, establish a safe and reliable electronic operating environment and protect the rights and interests of the Company, so that information-related personnel, data, information systems, equipment and networks can be operated safely and in compliance with relevant laws and regulations.
- II. Goals:
Ensure the accuracy, availability, integrity and confidentiality of the Company's information. Prevention of threats from internal and external information security incidents. In the event of an incident, it can also respond quickly and resume normal operations in the shortest time possible to reduce the damage caused by the incident.
- III. Cyber security management measures

1. Establishment of measures and specifications related to information communication security management.
2. Information security management meetings are held regularly to review internal and external risks.
3. Establishment of response and reporting procedures for information security incidents to improve the internal staff's ability to respond and coordinate in case of emergencies.
4. Install information security protection systems and monitoring equipment to continuously improve the security of the overall information environment and reduce the incidence of various risks.
5. Organize employee information security training to continuously enhance employees' information security awareness.
6. Cyber security incident review and improvement.
7. Handle and protect data and the security of the system carefully in accordance with the regulations related to information security and personal information protection.

IV. Review and amendment

The formulation and revision of this policy shall be implemented after the approval of the Chairman.

■ **Specific management solutions**

The Company has strengthened its management measures for various information systems and rules. The specific solutions and measures are as follows:

Payer	Description	Related allocation measures
Cyber Security	Boundary control and endpoint protection	<ol style="list-style-type: none"> 1. Firewalls are used in each factory area to control boundary information and communication security. 2. Establish an anti-virus console, install anti-virus software on servers and computers, and download and update virus patterns automatically. 3. Conduct weekly computer scan with anti-virus software 4. VPN connection shall be used for external connection
Data management	Account and access management	<ol style="list-style-type: none"> 1. Review and management of adding and deactivating employee accounts 2. Review and management of information system authorization settings 3. The information unit implements information security control and configuration according to the software and hardware change requisition form, after the user application has been approved by supervisors. 4. Logging in to computers and any information system requires the use of account name and password.
Business Sustainability Operations	Data backup and related verification	<ol style="list-style-type: none"> 1. Perform data backup (file/database/system) and perform off-site backup operations according to the nature of data 2. Perform data restoration test regularly 3. Check the log of the backup server to see if the backup runs successfully (with or without error messages).
Handling of information security incidents	Disaster Recovery Plan	<ol style="list-style-type: none"> 1. Establishment of a disaster recovery plan 2. Regular simulations 3. Post-disaster recovery plan implementation report
Information security education	Education and training to raise employees' information security awareness	<ol style="list-style-type: none"> 1. Strengthen the awareness of personnel information security through meetings, announcements, intranets, or mails. 2. Educate employees and share case study with them on the concept of information security. Do not open any suspicious information or emails to prevent social engineering attacks.
Hardware protection	Protective measures in the computer room	<ol style="list-style-type: none"> 1. There are two sets of air conditioning systems for computer rooms in each plant, which are switched regularly to ensure normal operating temperature and humidity in the computer room. 2. The UPS uses a stabilized voltage function to ensure stable power and no interruptions in a short period of time. 3. Carbon dioxide fire extinguishers in computer rooms

■ **Commit resources to cyber security management**

- V. Firewall renewal and annual license signing
- VI. Endpoint protection, anti-virus update and annual license signing
- VII. Annual licensing for spam protection and email audit signed
- VIII. Completion of annual training and promotion

■ **Information security implementation results**

2023:

1. For the personnel education training and information security promotion, we have implemented 8 projects in 2023 with a completion rate of 100%.
2. Information system disaster recovery simulation exercise: 1 drill was conducted in 2023, with a 100% completion rate.
3. Simulated social engineering drills: Once in 2023, with a 100% completion rate.

(II) Losses arising as a result of major cybersecurity incident in the last year up until the publication date of annual report, and possible impacts and response measures; state the reasons if losses can not be reasonably estimated

The Company's finance, business and operations have not been affected by any cyber security risk in the past three years (please refer to the cyber security incident statistics table)

Cyber security incident statistic table

Year	2021	2022	2023
Number of information security incidents			
Number of violations of information security or network security incidents	0	0	0
Number of business information leakage incidents	0	0	0
Number of personal information leakage incidents (including employee and customer information)	0	0	0
Number of incidents affected by information leakage	0	0	0
Number of losses suffered due to information security incidents	0	0	0

IX. Major contracts

Nature of contract	Parties involved	Contract start/end date	Main contents	Restrictive clauses
Mid-term borrowing	The Company and Hua Nan Commercial Bank	2023.05.25~2028.05.25	Mid-term secured borrowing contract	None
Long-term borrowing	The Company and Chang Hwa Commercial Bank	2019.05.09~2034.05.09	Long-term secured borrowing contract	None
Long-term borrowing	The Company and Mega Bank	2023.07.27~2038.07.27 2023.10.06~2038.07.27	Long-term secured borrowing contract	None

Six. Financial Overview

I. Summarized financial information for the last 5 years

(I) Summary balance sheet

Unit: NTD thousands

Item		Financial information for the last 5 years (Note 1)				
		End of 2019	End of 2020	End of 2021	End of 2022	End of 2023
Current assets		1,335,001	720,831	1,246,965	952,043	841,793
Property, plant and equipment		977,213	1,437,726	1,162,166	1,289,301	1,413,721
Intangible assets		12,040	9,675	6,303	6,390	3,520
Other assets		150,417	166,556	159,775	220,606	244,268
Total assets		2,474,671	2,334,788	2,575,209	2,468,340	2,503,302
Current liabilities	Before distribution	675,279	457,960	814,152	629,223	458,557
	After distribution	675,279	457,960	814,152	629,223	458,557
Non-current liabilities		516,426	619,994	490,651	467,282	788,440
Total liabilities	Before distribution	1,191,705	1,077,954	1,304,803	1,096,505	1,246,997
	After distribution	1,191,705	1,077,954	1,304,803	1,096,505	1,246,997
Equity attributable to the owners of the parent		1,237,686	1,205,674	1,211,942	1,325,917	1,222,966
Share capital		823,608	823,608	823,608	823,608	823,608
Capital reserve		51,559	51,669	51,718	10,552	10,557
Retained earnings	Before distribution	363,489	332,060	340,985	491,757	388,801
	After distribution	363,489	332,060	340,985	491,757	388,801
Other equity items		(970)	(1,663)	(4,369)	—	—
Non-controlling interest		45,280	51,160	58,464	45,918	33,339
Total equity	Before distribution	1,282,966	1,256,834	1,270,406	1,371,835	1,256,305
	After distribution	1,282,966	1,256,834	1,270,406	1,371,835	1,256,305

Note 1: The above financial information has been audited by the CPAs.

Note 2: Distribution of 2023 earnings in cash was resolved by the Board of Directors and reported to the shareholder meeting, which involved a distribution of cash.

(II) Summary statement of comprehensive income

Unit: NTD thousands except for earnings per share

Item	Year	Financial information for the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Operating revenues		2,072,967	1,605,153	2,013,489	2,186,641	1,580,608
Gross profit		338,571	230,993	277,223	307,354	123,158
Operating profit (loss)		128,472	57,635	84,563	81,002	(57,317)
Non-operating income and expenses		11,151	7,010	6,443	191,172	22,525
Net profit (loss) before tax		139,623	64,645	91,006	272,174	(34,792)
Net gain (loss) of current period from continuing operations		111,277	58,704	75,956	256,743	(19,350)
Current net income (loss)		111,277	58,704	75,956	256,743	(19,350)
Other comprehensive income for the current period (net, after-tax)		(1,991)	960	3,456	14,943	(1,902)
Total comprehensive income for the current period		109,286	59,664	79,412	271,686	(21,252)
Net income attributable to owners of the parent		114,837	58,407	68,652	263,739	636
Net income attributable to non-controlling shareholders		(3,560)	297	7,304	(6,996)	(19,986)
Total comprehensive income attributable to owners of the parent		112,846	59,367	72,108	278,682	(1,266)
Total comprehensive income attributable to non-controlling shareholders		(3,560)	297	7,304	(6,996)	(19,986)
Earnings per share (NTD) (Note 2)		1.39	0.71	0.83	3.20	0.01

Note 1: Other comprehensive income for the period (net after taxes)

Note 2: EPS is calculated after making retrospective adjustments based on weighted average outstanding shares in the current year.

(III) Summary separate balance sheet

Unit: NTD thousands

Item	Year	Financial information for the last 5 years				
		End of 2019	End of 2020	End of 2021	End of 2022	End of 2023
Current assets		1,194,723	582,525	1,096,705	836,065	731,871
Property, plant and equipment		918,338	1,390,891	1,123,728	1,259,534	1,391,285
Intangible assets		10,722	8,635	5,149	5,583	3,033
Other assets		183,060	189,856	196,710	243,255	250,115
Total assets		2,306,843	2,171,907	2,422,292	2,344,437	2,376,304
Current liabilities	Before distribution	563,399	394,299	748,531	570,762	424,533
	After distribution	563,399	394,299	748,531	570,762	424,533
Non-current liabilities		505,758	571,934	461,819	447,758	728,805
Total liabilities	Before distribution	1,069,157	966,233	1,210,350	1,018,520	1,153,338
	After distribution	1,069,157	966,233	1,210,350	1,018,520	1,153,338
Share capital		823,608	823,608	823,608	823,608	823,608
Capital reserve		51,559	51,669	51,718	10,552	10,557
Retained earnings	Before distribution	363,489	332,060	340,985	491,757	388,801
	After distribution	363,489	332,060	340,985	491,757	388,801
Other equity items		(970)	(1,663)	(4,369)	-	-
Treasury stock		-	-	-	-	-
Total equity	Before distribution	1,237,686	1,205,674	1,211,942	1,325,917	1,222,966
	After distribution	1,237,686	1,205,674	1,211,942	1,325,917	1,222,966

Note 1: The above financial information has been audited by the CPAs.

(IV) Summary separate statement of comprehensive income

Unit: NTD thousands except for earnings per share

Item \ Year	Financial information for the last 5 years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenues	1,832,109	1,370,485	1,728,909	1,981,438	1,474,319
Gross profit	320,310	211,633	232,070	311,980	165,425
Operating net profit	136,917	59,024	68,228	105,846	4,586
Non-operating income, expenses and losses	8,318	6,391	12,760	177,106	(7,183)
Net profit (loss) before tax	145,235	65,415	80,988	282,952	(2,597)
Gain/loss from continuing operations	114,837	58,407	68,652	263,739	636
Gain/loss from discontinued operations	-	-	-	-	-
Current net income (loss)	114,837	58,407	68,652	263,739	636
Other comprehensive income for the current year	(1,991)	960	3,456	14,943	(1,902)
Total comprehensive income for the current period	112,846	59,367	72,108	278,682	(1,266)
Earnings per share (Note 2)	1.39	0.71	0.83	3.20	0.01

Note 1: Financial information for all above years has been audited.

Note 2: EPS is calculated after making retrospective adjustments based on weighted average outstanding shares in the current year.

(V) Names of financial statement auditors in the last 5 years and audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2019	Weyong International CPAs & Co.	Huei-Fen Lin, Tzu-Yang Wang	Unqualified opinion
2020	Weyong International CPAs & Co.	Chun-Chen Ko, Tzu-Yang Wang	Unqualified opinion
2021	Weyong International CPAs & Co.	Chun-Chen Ko, Tzu-Yang Wang	Unqualified opinion
2022	Weyong International CPAs & Co.	Chun-Chen Ko, Tzu-Yang Wang	Unqualified opinion
2023	Weyong International CPAs & Co.	Chun-Chen Ko, Hui-Fen Lin	Unqualified opinion

II. Financial analysis for the last 5 years

(I) Financial analysis for the last 5 years - consolidated

Items to be analyzed / Year (Note 1)		2019	2020	2021	2022	2023
Financial position (%)	Debt-to-assets ratio	48.16	46.17	50.67	44.42	49.82
	Long-term capital to property, plant and equipment ratio	184.14	130.54	151.53	142.64	144.64
Solvency (%)	Current ratio	197.70	157.40	153.16	151.30	183.57
	Quick ratio	149.55	98.45	106.20	94.78	124.52
	Interest coverage ratio	12.85	6.82	10.22	27.97	(2.09)
Efficiency	Receivables turnover (times)	4.87	4.42	5.07	4.67	3.66
	Average cash collection days	74.94	82.57	71.99	78.15	99.72
	Inventory turnover (times)	5.50	4.30	4.94	4.89	4.34
	Payables turnover (times)	9.90	8.54	9.12	9.02	8.04
	Average inventory turnover days	66.36	84.88	73.88	74.64	84.10
	Property, plant and equipment turnover (times)	2.08	1.33	1.55	1.78	1.17
	Total asset turnover (times)	0.93	0.67	0.82	0.87	0.64
Profitability	Return on assets (%)	5.38	2.79	3.40	10.42	(0.42)
	Return on equity (%)	8.76	4.62	6.01	19.43	(1.47)
	Pre-tax profit to paid-up capital ratio (%)	16.95	7.85	11.05	33.05	(4.22)
	Net profit margin (%)	5.37	3.66	3.77	11.74	(1.22)
	Earnings per share (NTD) (Note 2)	1.39	0.71	0.83	3.20	0.01
Cash flow (%)	Cash flow ratio	28.46	53.06	8.62	25.59	18.38
	Cash flow adequacy ratio	82.15	82.87	104.86	88.74	64.42
	Cash reinvestment ratio	4.66	6.56	0.20	(0.41)	(0.60)
Degree of leverage	Operating leverage	3.95	6.88	5.00	5.37	(5.22)
	Financial leverage	1.10	1.24	1.13	1.14	0.84
Explanation to variations of financial ratio exceeding 20% in the last 2 years:						
<p>(1) The current ratio increased compared to the same period last year, mainly due to a decrease in current liabilities during the current period.</p> <p>(2) The quick ratio increased compared to the same period last year, mainly due to a decrease in current liabilities during the current period.</p> <p>(3) The interest coverage ratio decreased compared to the same period last year, mainly due to a decline in profitability during the current period.</p> <p>(4) The accounts receivable turnover rate decreased compared to the same period last year, mainly because in 2023, the company was affected by high inventory levels and decreased orders from downstream manufacturers. Revenue declined by 27% compared to 2022, which was a larger decline than the decrease in average accounts receivable, resulting in a lower accounts receivable turnover rate and an increase in the average collection period.</p>						

- (5) The property, plant, and equipment turnover rate decreased compared to the same period last year, mainly due to the decline in revenue in 2023 caused by high inventory levels and decreased orders from downstream manufacturers.
- (6) The total asset turnover rate decreased compared to the same period last year, mainly due to the decline in revenue in 2023 caused by high inventory levels and decreased orders from downstream manufacturers.
- (7) The return on assets, return on equity, ratio of pre-tax net profit to paid-in capital, net profit margin, and earnings per share all decreased compared to the same period last year, mainly due to the significant decline in net profit after tax during the current year resulting from the impact of high inventory levels and decreased orders from downstream manufacturers, which led to a decline in revenue compared to the previous year.
- (8) The cash flow ratio decreased compared to the same period last year, mainly due to a decrease in operating cash flows resulting from the decline in revenue during the current period.
- (9) The cash flow adequacy ratio decreased compared to the same period last year, mainly due to a decrease in operating cash flows resulting from the decline in revenue during the current period.
- (10) The cash reinvestment ratio decreased compared to the same period last year, mainly because cash dividends distributed during the current period exceeded operating cash flows, resulting in a negative value.
- (11) The operating leverage decreased compared to the same period last year, mainly due to the decline in revenue during the current period compared to the previous year.
- (12) The financial leverage decreased compared to the same period last year, mainly due to a decrease in operating income resulting from the decline in revenue during the current period compared to the previous year.

Note 1: Financial information has been audited.

Note 2: EPS is calculated after making retrospective adjustments based on weighted average outstanding shares in the current year.

(II) Financial analysis for the last 5 years - separate

Analysis		Year	Financial analysis for the last 5 years				
		2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	2023 (Note 1)	
Financial structure (%)	Debt-to-assets ratio	46.35	44.49	49.97	43.44	48.53	
	Long-term capital to property, plant and equipment ratio	189.85	127.80	148.95	140.82	140.29	
Solvency (%)	Current ratio	212.06	147.74	146.51	146.48	172.39	
	Quick ratio	161.81	88.90	100.63	89.72	114.02	
	Interest coverage ratio	14.07	7.43	10.04	31.47	0.82	
Efficiency	Receivables turnover (times)	4.76	4.31	4.89	4.62	3.67	
	Average cash collection days	76.68	84.68	74.64	79.00	99.46	
	Inventory turnover (times)	5.28	4.17	4.80	4.79	4.32	
	Payables turnover (times)	9.92	8.25	8.59	8.62	7.68	
	Average inventory turnover days	69.12	87.52	76.04	76.20	84.49	
	Property, plant and equipment turnover (times)	1.95	1.19	1.38	1.66	1.11	
	Total asset turnover (times)	0.87	0.61	0.75	0.83	0.62	
Profitability	Return on assets (%)	5.86	2.95	3.28	11.29	0.39	
	Return on equity (%)	9.40	4.78	5.68	20.78	0.05	
	Pre-tax profit to paid-up capital ratio (%)	17.63	7.94	9.83	34.36	(0.32)	
	Net profit margin (%)	6.27	4.26	3.97	13.31	0.04	
	Earnings per share (NTD) (Note 2)	1.39	0.71	0.83	3.20	0.01	
Cash flows (%)	Cash flow ratio	39.20	56.36	4.14	25.60	32.62	
	Cash flow adequacy ratio	90.89	91.56	69.93	61.48	45.41	
	Cash reinvestment ratio	10.16	5.95	(1.68)	(0.87)	1.73	
Degree of leverage	Operating leverage	3.38	5.83	5.15	3.87	65.32	
	Financial leverage	1.09	1.23	1.15	1.10	(0.46)	

Note 1: Financial information has been audited.

Note 2: EPS is calculated after making retrospective adjustments based on weighted average outstanding shares in the current year.

Below are the formulas used in various financial analyses:

1. Financial position
 - (1) Debt-to-assets ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
3. Operating efficiency
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales / average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.
 - (2) Return on equity = net income / average shareholders' equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income attributable to owners of the parent - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital).
6. Degree of leverage:
 - (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

III. Audit Committee's Review Report on the 2023 financial statements

Audit Committee's Review

The Board of Directors prepared and submitted the 2023 business report, the proposal for earnings distribution and the parent company-only financial statements and the consolidated financial statements audited by CPA Chun-Chen Ko and CPA Tzu-Yang Wang with Weyong International CPAs & Co. to Audit Committee for review and no non-conformity was identified. Hence, these reports are duly presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For

The Company's 2024 shareholders' meeting

Shuang-Bang Industrial Corp.

Audit Committee Convener Yen Wang



IV. 2022 Audited Consolidated Financial Statements

See appendix for details.

V. 2022 Audited Parent-Only Financial Statements

See appendix for details.

VI. Any financial distress experienced by the Company or affiliated enterprise and impacts on the Company's financial position in the last year up until the publication date of annual report

None.

Seven. Company Profile Review and Analysis of Financial Position and Business performance, and Risk Management Issues

I. Review and analysis of consolidated financial position

Unit: NTD thousands

Item \ Year			Difference	
	2023	2022	Amount increase (decrease)	Variation (%)
Current assets	841,793	952,043	(110,250)	(12%)
Property, plant and equipment	1,413,721	1,289,301	124,420	10%
Intangible assets	3,520	6,390	(2,870)	(45%)
Other assets	244,268	220,606	23,662	11%
Total assets	2,503,302	2,468,340	34,962	1%
Current liabilities	458,557	629,223	(170,666)	(27%)
Non-current liabilities	788,440	467,282	321,158	69%
Total liabilities	1,246,997	1,096,505	150,492	14%
Share capital	823,608	823,608	-	0%
Capital reserve	10,557	10,552	5	0%
Retained earnings	388,801	491,757	(102,956)	(21%)
Other equity items	-	-	-	N/A
Non-controlling interest	33,339	45,918	(12,579)	(27%)
Total equity	1,256,305	1,371,835	(115,530)	(8%)
<p>1. Significant changes (for the amount changed by more than 20% and exceeded NT\$10 million):</p> <p>(1) Current liabilities decreased mainly due to the repayment of short-term borrowings and the decrease in payables.</p> <p>(2) The increase in non-current liabilities is mainly due to the increase in long-term borrowings.</p> <p>(3) The decrease in retained earnings is mainly due to the distribution of cash dividends and poor profit in 2023.</p> <p>(4) The decrease in non-controlling interests is mainly due to the losses in affiliated enterprises.</p> <p>2. Possible impact on the Company's future financials and business: No significant impact.</p> <p>3. Future responsive measures: not applicable.</p>				

II. Review and analysis of financial performance.

Unit: NTD thousands

Item	2023	2022	Amount increase (decrease)	Variation (%)
Operating revenues	1,580,608	2,186,641	(606,033)	(27.72%)
Operating costs	1,457,450	1,879,287	(421,837)	(22.45%)
Gross profit	123,158	307,354	(184,196)	(59.93%)
Operating expenses	180,475	226,352	(45,877)	(20.27%)
Operating profit (loss)	(57,317)	81,002	(138,319)	(170.76%)
Non-operating income and expenses	22,525	191,172	(168,647)	(88.22%)
Net profit (loss) before tax	(34,792)	272,174	(306,966)	(112.78%)
Income taxes Net income (expense)	15,442	(15,431)	30,873	(200.07%)
Current net income (loss)	(19,350)	256,743	(276,093)	(107.54%)
Other comprehensive income, net	(1,902)	14,943	(16,845)	(112.73%)
Total comprehensive income for the current period	(21,252)	271,686	(292,938)	(107.82%)

III. Cash flow analysis

(I) Analysis of cash flow variations in the last year

Unit: %

Item \ Year	2023	2022	Amount increase (decrease)
Cash flow ratio	18.38	25.59	(28%)
Cash flow adequacy ratio	64.42	88.74	(27%)
Cash reinvestment ratio	-0.60	-0.41	46%
Explanation to major variations:			
(1) Cash flow ratio: The decrease in cash flow ratio in 2023 was due to the decline in revenue in 2023 and the decline in cash flow from operating activities.			
(2) Cash flow adequacy ratio: The decline in the cash flow adequacy ratio in 2023 was due to the decline in revenue in 2023 and the decline in cash flow from operating activities.			
(3) Cash reinvestment ratio: The decrease in the cash reinvestment ratio in 2023 was due to the decrease in net cash flow from operating activities and the decrease in cash dividends in 2023.			

(II) Improvement plans for inadequate liquidity: Not applicable.

(III) Liquidity analysis for the next year

Unit: NTD thousands

Opening cash balance①	Projected yearly net cash flow from operating activities②	Projected yearly cash outflow③	Projected cash surplus (deficit) ① + ② - ③	Financing of expected cash deficits	
				Investment plans	Financing plans
120,000	80,000	100,000	100,000	—	—

- (1) Analysis of cashflow changes in 2024
- ① Operating activities: Cash inflows are expected from 2024 operating activities in the normal course of business.
 - ② The main reason is the purchase of machinery and equipment, resulting in net cash outflows from investing activities.
 - ③ It is expected that in 2024, the borrowing of certain short-term and long-term loans, as well as the distribution of cash dividends for 2023, will result in net cash outflows from financing activities.
- (2) Response measures and liquidity analysis for cash flow deficit: Not applicable.

IV. Impact of major capital expenditures in the most recent year on financial operations:

The Company's capital expenditures in 2023 totaled NT\$249,120 thousand, primarily due to construction of new warehouses and factories and higher spending on new equipment. Once completed, the addition of capacities and the launch of new products can create revenues and increase profits.

V. Company's investment policy in affiliates for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving profitability and investment plans for the coming year

1. Investment policy: The Company devises its investment policy based on future prospect and the overall business plan.
2. For profit or loss from investment in affiliates, please refer to the operating overview of each related enterprise in Eight. Special Remarks. In 2023, affected by the excessive inventory of downstream manufacturers the decrease in orders led to a decrease in profits. The Company continued to make effective allocation of resources to maintain the overall operating performance and stable growth and profitability.
3. Investment plans for the coming year: Investments will be made mainly into core business activities.

VI. Analysis and assessment of risks in the most recent fiscal year and up to publication date of the annual report

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures

1. Interest rate

The Company reported interest income of NT\$383 thousand and NT\$1,509 thousand in 2022 and 2023, respectively. Interest income is mainly generated from bank deposits. Interest expenses are incurred mainly on working capital borrowed from financial institutions. The reported interest expenses were NT\$7,430 thousand and NT\$11,258 thousand in 2022 and 2023, respectively. The Company adopts a conservative financial management approach and anticipates interest rate movements based on research reports published by research institutions and banks local and abroad. The Company also maintains close interaction with banks as a way to monitor interest rate changes.

2. Exchange rate changes

Imported materials accounted for approximately 30%-40% of total purchase in the last three years, and most imports are denominated in USD. Exports accounted for approximately 20%-40% of total sales in the last three years, and most exports are denominated in USD. For these reasons, exchange rate variation does impact the Company to some degree. Net gains (losses) on exchange in 2022 and 2023 were reported at NT\$17,505 thousand and NT\$1,256 thousand, representing 6.43% and

(3.61)% of pre-tax profit for the respective years. Below is a description of the responses taken for the exchange rate risks above:

- (1) Persistent efforts are being made to raise exchange rate risk awareness among financial personnel, and significant attention is being directed to obtaining the latest exchange rate information through the use of online quotation system and communication with financial institutions. Based on this information, the Company is able to anticipate exchange rate changes and adjust foreign currency position accordingly.
- (2) Depending on exchange rate changes, the Company shifts between domestic purchase and import purchase as a cost management practice, and in doing so secures profit margins.
- (3) Most of the Company's export sales and import purchases are denominated in USD and JPY. Personnel involved in such transactions are tasked with the duty of adjusting currency positions in the foreign currency account, adopting conservative hedges, and gathering information on exchange rate changes. Currency exchanges can then be made depending on capital needs and exchange rate movements to minimize business risks.

3. Inflation

According to the analysis on national economic indicators, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, concluded that Taiwan's Consumer Price Index (CPI) increased approximately 2.49% in 2023, still within the acceptable range.

However, given how the prices of oil, fuel, and organic solvent have surged globally in recent years, the Company has invested into the installation of a recycling system to recycle and reuse organic solvents, which mitigates inflationary impact on the Company.

- (II) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures

The Company did not engage in any high-risk or highly leveraged investment in the last year up until the publication date of annual report. As for endorsements and guarantees, the Company not only conducts thorough assessment and regular tracking of such transactions, but has also established "Asset Acquisition and Disposal Procedures" and "Endorsement and Guarantee Procedures" with the approval of existing shareholders to serve as guidance. The Company transacts derivatives for the purpose of hedging exchange rate risks associated with business activities. These transactions are carried out in accordance with "Asset Acquisition and Disposal Procedures."

- (III) Future research and development plans and projected expenses

1. Future R&D plans

Future technologies and R&D efforts will be directed toward capturing markets that offer higher added value, and diversifying products and services for broader market reach. Below is a description of future R&D efforts:

- High flexibility - softness - three-layer belt
- Smart medical mattress products
- Bio-based water color paste (biomass content>35%)
- Fluorine-free pretreatment fabric adhesive resin
- Waterborne composite packaging resins
- Water-based surface resin for leather use
- High-resilience TPU foam
- Melt-blown TPU

2. Expected R&D expenses

R&D expenses are included in annual budgets. The Company spent a total of NT\$37,953,000 on R&D in 2023. As revenue grows, the Company will recruit additional R&D personnel and procure related equipment to support research projects in the future.

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations

The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year. The Company pays constant attention to changes in local and foreign policies and regulations, and conducts impact assessments and makes response plans where appropriate. The Company would also engage external legal consultants to inquire and handle legal issues if necessary.

(V) Financial impacts and response measures in the event of technological or industrial changes (including cybersecurity risks)

The Company has a talented R&D team, top-notch research facilities, and the flexibility to adjust production procedures. By participating in international exhibitions and through engagement with customers and suppliers, the Company is able to gather business intelligence and technological changes for timely adjustment and response. For these reasons, the Company encountered no change in technology that adversely affected its financial or business performance in the last year and up until the publication date of annual report.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image

The Company has always served its customers and shareholders in a pragmatic, consistent, and responsible manner, and encouraged employees to engage in charity activities since it was first founded. All members of the organization are committed to maintaining corporate image, which is why the Company encountered no crisis from change of corporate image in the last year up until the publication date of annual report.

(VII) Expected benefits, risks, and response measures in relation to mergers and acquisitions

On November 10, 2022, the Company's Board of Directors resolved, in accordance with Article 19 of the Enterprise Mergers and Acquisitions Act, to conduct a simplified merger by absorbing its 100% owned subsidiary, SHUANG BANG INDUSTRIAL CORP. (BVI). Since SHUANG BANG INDUSTRIAL CORP. (BVI) is a 100% owned subsidiary of the Company, upon the merger baseline date, the Company's entire 100% equity holding in SHUANG BANG INDUSTRIAL CORP. (BVI) shall be eliminated, and no share swap

ratio needs to be calculated. The Company's paid-in capital remains unchanged after the merger. This merger is essentially an adjustment to the Company's organizational structure, and therefore, no potential risks are expected to arise

(VIII) Expected benefits, risks, and response measures associated with plant expansions

The Company has created a production line for water-based resins as a response to the public's rising awareness toward environmental protection and green products. Considering how new production line and plant may increase operating costs, the Company will continue monitoring market changes and work closely with customers to adjust its expansion plan, and thereby reduce and avoid risks.

(IX) Risks and response measures associated with concentrated sales or purchases

1. Concentration of purchases

The Company purchases all of its important raw materials from two or more qualified suppliers. The quality, supply terms and conditions, finance and management must comply with the Company's supplier management policy. The Company must maintain a stable long-term collaborative relationship with those who offer stable quality and sources and well-coordinated supply and delivery time, which can prevent the possible risk of concentration risk in a single vendor procurement.

2. Concentration of sales

No single customer accounted for more than 20% of the Company's sales in the most recent two years, so there was no concentration of sales.

(X) Impacts, risks, and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: None.

(XI) Impacts, risks, and response measures associated with a change of management: None.

(XII) Major litigations, non-contentious cases, or administrative litigations involving directors, President, person-in-charge, any shareholder with more than 10% ownership interest, or any subsidiary of the Company, whether concluded or pending judgment, which may pose significant impact on shareholders' interest or security price: None.

(XIII) Other significant risks and response measures:

Cybersecurity risks: Please see pp. 83-84 for details on cybersecurity management.

VII. Other material issues

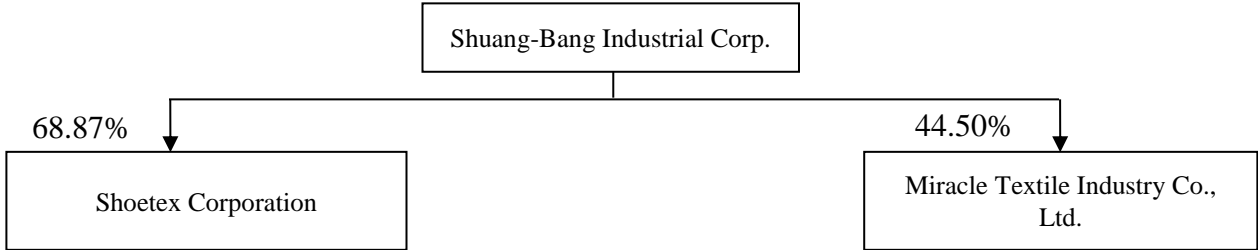
None

Eight. Special Remarks

I. Summary of affiliated companies

(I) Overview of affiliated enterprises

1. Affiliated enterprises chart (December 31, 2023)



2. Controlling and controlled entities, as defined in Article 369-3 of The Company Act: None.
3. Subordinate entities that have personnel, financial, or business decisions directly or indirectly controlled by the Company, as defined in Paragraph 2, Article 369-2 of The Company Act: None.

(II) Profile of affiliated enterprises

Unit: NTD thousands

Date: December 31, 2023

Name of affiliated enterprise	Relationship with the Company Relationship	Held by the Company		Amount invested	Number/percentage of shareholding in the Company
		No. of shares	Percentage		
Miracle Textile Industry Co., Ltd.	Subsidiary	2,225,000 shares	44.50%	22,517	None
Shoetex Corporation	Subsidiary	8,265 shares	68.87%	82,650	None

(III) Common shareholders in controlling and controlled companies: None.

(IV) Businesses activities covered by affiliated enterprises: Manufacturing.

(V) Directors, supervisors, and President of affiliated companies

Date: April 2, 2024

Name of entity	Title	Name or name of representative	Current shareholding	
			No. of shares	Shareholding percentage
Miracle Textile Industry Co., Ltd.	Director (Representative)	Representative of Shuang-Bang Industrial Corp.: Chung-Tang Chang, Yu-Chuan Hsu and Chien-Chung Ko	2,224,988	44.50%
	Director	Te-Shuang Chan	739,353	14.79%
	Director	Wen-Chih Chen	883,503	17.67%

	Supervisor	Min-Chu Lin	—	—
Shoetex Corporation	Director (Representative)	Representative of Shuang-Bang Industrial Corp.: Chung-Tang Chang, Ah-Ming Chen, and Min-Chu Lin	6,613,020	80.20%
	Director	Hung-Jung Wang	306,005	3.71%
	Director		170,488	2.07%
	Supervisor	Yu-Chuan Hsu	—	—

(VI) Financial position and business performance of affiliated enterprises

Unit: NTD thousands, except EPS which is in NTD

Date: December 31, 2023

Name of entity	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Current net income/loss (after tax)	Earnings per share
Miracle Textile Industry Co., Ltd.	50,000	82,796	52,148	30,648	79,459	(17,381)	—
Shoetex Corporation	120,000	115,003	62,546	52,457	63,812	(31,468)	—

(VII) Consolidated financial statements of affiliated companies:

Please see appendix for details.

II. Private placement of securities in the last year up until the publication date of annual report:

None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the publication date of annual report:

None.

IV. Other supplementary information

The Company has made the commitment to undergo corporate governance evaluation at least once every two years after listing on TPEX, and to report the outcome of evaluation in the latest shareholder meeting. Furthermore, any subsequent amendments to the internal control or internal audit system will have to be made in line with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

The Company passed and obtained Certificate of Corporate Governance System CG6008 General Assessment based on the assessment outcome for financial year 2012. All future amendments to the internal control or internal audit system will be made in line with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

V. Occurrences significant to shareholders' equity or security price, as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the last year up until the publication date of annual report

None.

Appendix

Stock Code:6506

**Shuang-Bang Industrial Corporation
and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Shuang-Bang Corporation as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Shuang-Bang Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Company name: Shuang-Bang Corporation

Chairman: Chang, Chung-Tang

Date: March 12, 2024

Independent Auditors' Report

To the Board of Directors of Shuang-Bang Industrial Corporation:

Opinion

We have audited the consolidated financial statements of Shuang-Bang Industrial Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are the further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Shuang-Bang Industrial Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Allowance for losses on Accounts Receivable

The management's judgment on the recognition of allowance for losses on accounts receivable is based on the evaluation of both internal and external information, as such, it was one of the key audit matters for our audit. Therefore, our principal audit procedures included testing the effectiveness of controls related to accounts receivable, obtaining the ledgers and records, selecting samples for

obtaining confirmation letters; obtaining aging analysis of accounts receivable and verifying the accuracy of relevant documents and the aging intervals, reviewing the provision for bad debts on the ledger to ensure that it is provided based on the loss rate, and evaluating whether management's recognition of impairment losses on accounts receivable is correct.

Please refer to Note 4 “Summary of significant accounting policies – Accounts receivables”, Note 6(3) in notes to consolidated financial statements.

Valuation of inventories

Inventories are stated at the lower of cost and net realizable value. However, the rapid evolution of technology and the fluctuation of market may lead to obsolescence and render products unmarketable. As inventory must be measured at the lower of cost and net realizable value, management must assess the amount of inventory on the balance sheet date that is impaired due to normal wear and tear, obsolescence or lack of market sales value, and write down the inventory costs to net realizable value. The inventory valuation is mainly based on past experience and estimated future product demand. Therefore, the auditor pays particular attention to whether the company complies with International Accounting Standards 2 (IAS2) in measuring inventory at the lower of cost and net realizable value and whether management's provision for inventory write-downs is reasonable.

The audit procedures performed by the auditor include:

1. Testing the age of inventory on the balance sheet date, and comparing the provision for inventory obsolescence with the previous year, analyzing the reasons for differences, and checking the relevant data used to calculate the provision for inventory write-downs, and comparing the historical provision with the actual offsetting differences.
2. On a sample basis, comparing the latest actual selling price of inventory at the end of the period with its book value to ensure whether the inventory has been evaluated at the lower of cost and net realizable value.
3. Comparing the ending inventory balance on the end of the year with the inventory details for the current year to verify the existence and completeness of inventory in the end of the year. By observing annual physical counts of goods, the auditors assess the reasonableness of the amount of allowance for inventory write-down.

Please refer to Note 4 “Summary of significant accounting policies – Inventories”, Note 6(4) in notes to the consolidated financial statements.

Other Matter

Shuang-Bang Corporation has additionally prepared its parent-company-only financial statements as of the year ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the directions, supervision and performance of the group audit.

We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jim Chen Ko and Lin Hui Fen.

Weyong International CPAs&Co.

Taichung, Taiwan (Republic of China)

March 12, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands of New Taiwan Dollars)
December 31, 2023 and 2022

Codes	Assets	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	6(1)	\$ 120,866	4.83	\$ 134,236	5.44
1137	Financial assets at amortized cost -current	6(2)	43,500	1.74	1,200	0.05
1150	Notes receivables, net	6(3)	68,623	2.74	92,441	3.74
1152	Other notes receivables	6(3)	-	-	35	-
1160	Notes receivables from related parties, net	6(3), 7	-	-	37	-
1170	Accounts receivables, net	6(3)	306,277	12.24	351,942	14.26
1180	Accounts receivables from related parties, net	6(3), 7	22,508	0.90	13,634	0.55
1200	Other receivables		1,354	0.05	632	0.03
1210	Other receivables from related parties	7	-	-	130	0.01
1220	Current tax assets		31	-	-	-
130X	Inventories	6(4)	262,453	10.48	333,091	13.49
1470	Other current assets		16,181	0.65	24,665	1.00
11XX	Total current assets		<u>841,793</u>	<u>33.63</u>	<u>952,043</u>	<u>38.57</u>
	Noncurrent Assets					
1510	Financial assets at fair value through profit or loss -non-current	6(5)	38,452	1.54	39,169	1.59
1600	Property, plant and equipment	6(6)	1,413,721	56.47	1,289,301	52.23
1755	Right-of-use assets	6(7)	26,709	1.07	24,887	1.01
1780	Intangible assets	6(8)	3,520	0.14	6,390	0.26
1840	Deferred income tax assets	6(21)3	51,201	2.04	35,076	1.42
1900	Other noncurrent assets	6(9), 7	127,906	5.11	121,474	4.92
15XX	Total noncurrent assets		<u>1,661,509</u>	<u>66.37</u>	<u>1,516,297</u>	<u>61.43</u>
1XXX	Total assets		<u>\$ 2,503,302</u>	<u>100.00</u>	<u>\$ 2,468,340</u>	<u>100.00</u>

(Continued)

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands of New Taiwan Dollars)
December 31, 2023 and 2022

Codes	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(10)	\$ 64,535	2.58	\$ 118,576	4.80
2151	Notes payables	6(11)	4,052	0.16	4,291	0.17
2152	Other notes payables	6(11)	15,562	0.62	48,259	1.96
2170	Accounts payables	6(11)	172,492	6.89	180,100	7.30
2180	Accounts payables from related parties	6(11),7	1,403	0.06	-	-
2200	Other accounts payables	6(12)	69,476	2.78	146,389	5.93
2230	Income tax payables		5,694	0.23	25,466	1.03
2250	Provision for warranty obligations-current	6(13)	8,817	0.35	12,444	0.50
2281	Lease liabilities from third parties	6(7)	11,152	0.45	10,306	0.42
2282	Lease liabilities from related parties	6(7), 7	1,081	0.04	-	-
2300	Other current liabilities	6(14)	4,800	0.19	11,916	0.48
2322	Current portion of long-term loans payable	6(15)	99,493	3.97	71,476	2.90
21XX	Total current liabilities		<u>458,557</u>	<u>18.32</u>	<u>629,223</u>	<u>25.49</u>
	Noncurrent liabilities					
2540	Long-term loans	6(15)	745,816	29.79	425,753	17.25
2570	Deferred income tax payable	6(21) ³	3,959	0.16	4,465	0.18
2581	Lease liabilities from third parties -non current	6(7)	13,625	0.55	14,877	0.60
2582	Lease liabilities from related parties -non current	6(7),7	1,095	0.04	-	-
2630	Long-term deferred revenue		1,193	0.05	1,875	0.08
2640	Net defined benefit liability -non current	6(17)	21,731	0.87	19,459	0.79
2645	Guarantee deposits		1,021	0.04	853	0.03
25XX	Total noncurrent liabilities		<u>788,440</u>	<u>31.50</u>	<u>467,282</u>	<u>18.93</u>
2XXX	Total liabilities		<u>1,246,997</u>	<u>49.82</u>	<u>1,096,505</u>	<u>44.42</u>
	Equity Attributable to Shareholders Of The Parent					
3100	Capital Stock	6(18) ¹				
3110	Common stock		823,608	32.90	823,608	33.37
3200	Capital surplus	6(18) ²	10,557	0.42	10,552	0.43
3300	Retained earnings					
3310	Appropriated as legal capital reserve		169,093	6.75	141,662	5.74
3320	Appropriated as special capital reserve		-	-	4,369	0.18
3350	Unappropriated earnings	6(18) ³	219,708	8.78	345,726	14.00
31XX	Equity attributable to shareholders of the parent		<u>1,222,966</u>	<u>48.85</u>	<u>1,325,917</u>	<u>53.72</u>
36XX	Non-Controlling Interests		<u>33,339</u>	<u>1.33</u>	<u>45,918</u>	<u>1.86</u>
3XXX	Total equity		<u>1,256,305</u>	<u>50.18</u>	<u>1,371,835</u>	<u>55.58</u>
	Total liabilities and equity		<u>\$ 2,503,302</u>	<u>100.00</u>	<u>\$ 2,468,340</u>	<u>100.00</u>

The accompanying notes are an integral part of the consolidated financial statements.

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars, except for earnings per share)

Codes	Items	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	6(19), 7	\$ 1,580,608	100.00	\$ 2,186,641	100.00
5000	Cost of revenues	7	(1,457,450)	(92.21)	(1,879,287)	(85.94)
5900	Gross profit		123,158	7.79	307,354	14.06
	Operating expenses					
6100	Sales and marketing		(65,699)	(4.16)	(92,761)	(4.24)
6200	General and administrative		(71,038)	(4.49)	(108,517)	(4.96)
6300	Research and development		(37,953)	(2.40)	(27,402)	(1.25)
6450	Expected credit (loss) gain		(5,785)	(0.37)	2,328	0.10
6000	Total operating expenses		(180,475)	(11.42)	(226,352)	(10.35)
6900	Operating income (loss)		(57,317)	(3.63)	81,002	3.71
	Non-operating income and expenses					
7010	Other income	6(20)1	25,079	1.59	8,440	0.38
7020	Other gains and loss	6(20)2	7,548	0.48	189,958	8.69
7050	Finance costs	6(20)4, 7	(11,611)	(0.73)	(7,609)	(0.35)
7100	Interest income		1,509	0.09	383	0.02
7000	Total non-operating income and expenses		22,525	1.43	191,172	8.74
7900	Profit before tax		(34,792)	(2.20)	272,174	12.45
7950	Less: Income tax expense	6(21)1	15,442	0.98	(15,431)	(0.71)
8200	Net (Loss) Income	6(20)	(19,350)	(1.22)	256,743	11.74
	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(17)2, (5)	(2,377)	(0.15)	13,217	0.60
8349	Income tax related to items that will not be reclassified subsequently	6(21)2	475	0.03	(2,643)	(0.12)
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations		-	-	4,369	0.20
8300	Other comprehensive income, net		(1,902)	(0.12)	14,943	0.68
8500	Total comprehensive income		\$ (21,252)	(1.34)	\$ 271,686	12.42
8600	Net income attribute to:					
8610	Shareholders of the parent		\$ 636	0.04	\$ 263,739	12.06
8620	Non-controlling interests		\$ (19,986)	(1.26)	\$ (6,996)	(0.32)
8700	Total comprehensive income attribute to:					
8710	Shareholders of the parent		\$ (1,266)	(0.08)	\$ 278,682	12.74
8720	Non-controlling interests		\$ (19,986)	(1.26)	\$ (6,996)	(0.32)
	Earnings per share	6(24)				
9750	Basic earnings per share		\$ 0.01		\$ 3.20	
9850	Diluted earnings per share		\$ 0.01		\$ 3.16	

The accompanying notes are an integral part of the consolidated financial statements.

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars)

Equity attribute to the shareholders of the parent company												
Item	Codes	Retained earnings						Total other equity interest		Subtotal of equity attributable to the shareholders of the parent 31XX	Non-controlling interests 36XX	Total equity 3XXX
		Capital Stock- Common stock 3110	Capital Surplus 3200	Legal reserve 3310	Special Reserve 3320	Unappropriated retained earnings 3350	Total 3300	Exchange differences on translation of foreign financial statements 3410	Total other equity interest			
Balance on January 1, 2022	A1	\$ 823,608	\$ 51,718	\$ 134,181	\$ 1,663	\$ 205,141	\$ 340,985	\$ (4,369)	\$ 1,211,942	\$ 58,464	\$ 1,270,406	
Appropriations of earnings of legal reserve	B1	-	-	7,481	-	(7,481)	-	-	-	-	-	
Appropriations of earnings of special reserve	B3	-	-	-	2,706	(2,706)	-	-	-	-	-	
Cash dividends	B5	-	-	-	-	(123,541)	(123,541)	-	(123,541)	-	(123,541)	
Cash dividends from capital surplus	C15	-	(41,180)	-	-	-	-	-	(41,180)	-	(41,180)	
Changes in capital surplus	C17	-	14	-	-	-	-	-	14	-	14	
Net income for the year	D1	-	-	-	-	263,739	263,739	-	263,739	(6,996)	256,743	
Other comprehensive income(loss) for the year	D3	-	-	-	-	10,574	10,574	4,369	14,943	-	14,943	
Total comprehensive income(loss)	D5	-	-	-	-	274,313	274,313	4,369	278,682	(6,996)	271,686	
Cash dividends to subsidiary shareholders	O1	-	-	-	-	-	-	-	-	(5,550)	(5,550)	
Balance on December 31, 2022	Z1	823,608	10,552	141,662	4,369	345,726	491,757	-	1,325,917	45,918	1,371,835	
Appropriations of earnings of legal reserve	B1	-	-	27,431	-	(27,431)	-	-	-	-	-	
Cash dividends	B5	-	-	-	-	(98,833)	(98,833)	-	(98,833)	-	(98,833)	
Special surplus reserve reversed	B17	-	-	-	(4,369)	4,369	-	-	-	-	-	
Changes in capital surplus	C17	-	5	-	-	-	-	-	5	-	5	
Net income for the year	D1	-	-	-	-	636	636	-	636	(19,986)	(19,350)	
Other comprehensive income(loss) for the year	D3	-	-	-	-	(1,902)	(1,902)	-	(1,902)	-	(1,902)	
Total comprehensive income(loss)	D5	-	-	-	-	(1,266)	(1,266)	-	(1,266)	(19,986)	(21,252)	
Changes in ownership equity of subsidiaries	M7	-	-	-	-	(2,857)	(2,857)	-	(2,857)	2,857	-	
Non-controlling Interest	O1	-	-	-	-	-	-	-	-	4,550	4,550	
Balance on December 31, 2023	Z1	\$ 823,608	\$ 10,557	\$ 169,093	\$ -	\$ 219,708	\$ 388,801	\$ -	\$ 1,222,966	\$ 33,339	\$ 1,256,305	

The accompanying notes are an integral part of the consolidated financial statements.

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars)

Codes	Items	2023	2022
AAAA	Cash flows from operating activities		
A10000	Loss (Profit) before income tax	\$ (34,792)	\$ 272,174
A20000	Adjustments for:		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	99,731	91,300
A20200	Amortization expenses	2,920	3,815
A20300	Expected credit loss (reversed gain)	5,785	(2,328)
A20400	Net loss on financial assets at fair value through profit or loss	717	18,077
A20900	Interest expense	11,258	7,430
A21200	Interest income	(1,509)	(383)
A22500	Gain on disposal or retirement of property, plant and equipment	(4,425)	(190,054)
A23800	Reversal of impairment loss recognized in profit or loss, non-financial assets	(2,601)	(476)
A24100	Unrealized loss (gain) on foreign exchange	4,306	2,611
A29900	Others (government grants)	(682)	(682)
A29900	Others	40	-
A20010	Total adjustments to reconcile profit(loss)	<u>115,540</u>	<u>(70,690)</u>
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets		
A31130	Decrease in notes receivable	23,855	13,136
A31150	Decrease in accounts receivable	26,679	2,742
A31180	Increase in other receivables	(108)	(340)
A31200	Decrease in inventories	70,638	40,903
A31240	Decrease (Increase) in other current assets	8,484	(4,847)
A31990	Decrease in other operating assets	35	430
A31000	Total changes in operating assets	<u>129,583</u>	<u>52,024</u>
A32000	Changes in operating liabilities		
A32130	Decrease in notes payable	(239)	(18,858)
A32150	Decrease in accounts payable	(5,160)	(28,626)
A32180	Decrease (Increase) in other payables	(75,649)	26,457
A32200	Decrease (Increase) in provisions	(3,627)	2,273
A32230	Decrease in other current liabilities	(7,085)	(46,968)
A32240	Decrease in net defined benefit liability	(105)	(104)
A32000	Total changes in operating liabilities	<u>(91,865)</u>	<u>(65,826)</u>
A30000	Total changes in operating assets and liabilities	<u>37,718</u>	<u>(13,802)</u>
A20000	Total adjustments	<u>153,258</u>	<u>(84,492)</u>
A33000	Cash flow generated from operations	118,466	187,682
A33100	Interest received	1,509	383
A33300	Interest paid	(15,191)	(10,148)
A33500	Income tax paid	(20,515)	(16,882)
AAAA	Net cash flows generated by operating activities	<u>84,269</u>	<u>161,035</u>

(Continued)

Shuang-Bang Industrial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars)

Codes	Items	2023	2022
BBBB	Cash flows from investing activities		
B00040	Proceeds from disposal of financial assets at fair value through other comprehensive income	(42,601)	-
B00050	Proceeds from disposal of financial assets at amortized costs	301	28
B00100	Acquisition of financial assets at fair value through profit or loss	-	(2,854)
B02700	Acquisition of property, plant and equipment	(84,195)	(117,566)
B02800	Proceeds from disposal of property, plant and equipment	7,100	462,002
B03700	Increase in refundable deposits	(51)	(2,100)
B03800	Decrease in refundable deposits	2,146	-
B04500	Acquisition of intangible assets	(50)	(828)
B06700	Increase in other noncurrent assets	(1,718)	-
B07100	Increase in prepayments for business facilities	(164,875)	(120,916)
BBBB	Net cash used in (generated by) investing activities	<u>(283,943)</u>	<u>217,766</u>
CCCC	Cash flows from financing activities		
C00100	Increase in short-term loans	548,073	626,098
C00200	Decrease in short-term loans	(602,114)	(741,805)
C01600	Proceeds from long-term bank loans	675,000	80,000
C01700	Repayment of long-term bank loans	(326,920)	(131,297)
C03000	Increase in guaranteed deposits received	178	295
C03100	Decrease in guaranteed deposits received	(10)	-
C04020	Repayment of the principal portion of lease liabilities	(12,573)	(12,453)
C04500	Cash dividends	(98,833)	(170,271)
C05800	Changes from non-controlling Interest	4,550	-
C09900	Others	5	14
CCCC	Net cash generated by (used in) financing activities	<u>187,356</u>	<u>(349,419)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(1,052)</u>	<u>(1,126)</u>
EEEE	Net decrease (increase) in cash and cash equivalents	(13,370)	28,256
E00100	Cash and cash equivalents, beginning of the year	<u>134,236</u>	<u>105,980</u>
E00200	Cash and cash equivalents, end of the year	<u>\$ 120,866</u>	<u>\$ 134,236</u>
E00210	Cash and cash equivalents on consolidated balance sheets	<u>\$ 120,866</u>	<u>\$ 134,236</u>

The accompanying notes are an integral part of the consolidated financial statements.

Shuang Bang Industrial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Shuang Bang Industrial Corporation (the Company) was incorporated on November 17, 1989. The Company is mainly engaged in manufacturing of PU resin for shoes, coating and lamination, hardener, and Thermoplastic Polyurethane (TPU) as well as the sales of photoinitiators. The Company's stock has been listed on the Taipei Exchange (TPEX) since May 3, 2011. The registered address main operational base of the Company are located at No. 3, Yongxing Road, Nantou City, Nantou County. The principal operating activities of the Group and its subsidiaries (herein after referring to as the "Group") are described in Note 14.

The consolidated financial statements are presented in the functional currency of the Group, which is New Taiwan Dollars.

2. Approval date and procedures of the financial statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2024.

3. New standards, amendments and interpretations adopted

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant impact on the accounting policies of Shuang Bang Industrial Corporation and its subsidiaries (collectively as the "Group").

- (2) The IFRS issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting from 2024:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Group completes its evaluation.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as “IFRS endorsed by the FSC”).

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- A. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- B. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- C. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of Group and entities controlled by the Group (its subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

B. List of subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			December 31, 2023	December 31, 2022
Shuang Bang Corporation	Shuang Bang Industrial Corp. (BVI)	Investment activities	-	-
Shuang Bang Corporation	Miracle textile industry Co., Ltd.	Manufacturing of coatings	44.50	44.50
Shuang Bang Corporation	Shoetex Corporation	Manufacturing of finished shoes	68.87	62.47

For the purposes of decreasing operating costs and improving performance and competitiveness, Shuang Bang Industrial Corp. (BVI) was merged by the Group by approval of board of directors on November 10, 2022, and had registered in Ministry of Economic Affairs on February 23, 2023. The effective date of the merger was settled on November 30, 2022. The Group is the surviving entity and Shuang Bang Industrial Corp. (BVI) is dissolved company.

Miracle textile industry Co., Ltd. increased its authorized share capital by cash by approval of its board of directors on January 10, 2017. The effective date was January 17, 2017, and had registered in Ministry of Economic Affairs on February 3, 2017. The company did not exercise its pre-emptive rights in accordance with its shareholding percentage, resulting in a decrease in its shareholding percentage from 55.92% to 44.50%. However, this does not affect the company's directorship position in the said company, and therefore the company still maintains effective control.

Shoetex Corporation increased its authorized share capital by approval of board of directors on March 13, 2023. The effective date was March 21, 2023 and had registered in Ministry of Economic Affairs on April 7, 2023. Due to non-proportional investment in an investee's capital increase, the percentage of the ownership decreased from 62.47% to 68.87%.

For the year ended in 2023 and 2022, there is no material limitation on the acquisition or use of assets and capacity for debt repayment for the Group.

- C. Subsidiaries with non-controlling interests that are material to the consolidated company were as follows:

Name of subsidiary	Ownership (%)	Non-controlling interest	
		December 31, 2023	December 31, 2022
Miracle textile industry Co. Ltd.	55.50	\$ 17,010	\$ 26,656
Shoetex Corporation	31.13	16,329	19,262
		<u>\$ 33,339</u>	<u>\$ 45,918</u>

Name of subsidiary	Ownership (%)	Profit (Loss) Allocated to Non-controlling Interests	
		For the year ended December 31, 2023	For the year ended December 31, 2022
Miracle textile industry Co. Ltd.	55.50	\$ (9,646)	\$ (2,299)
Shoetex Corporation	31.13	(10,340)	(4,697)
		<u>\$ (19,986)</u>	<u>\$ (6,996)</u>

- (A) For the main business and products, location, and registration information of the above subsidiaries, refer to Table 3 in Note 13.

- (B) The financial information was summarized as follows:

a. Balance sheets

	Miracle textile industry Co. Ltd.	
	December 31, 2023	December 31, 2022
Current assets	\$ 53,776	\$ 51,964
Non-current assets	29,020	34,482
Current liabilities	(27,858)	(28,246)
Non-current liabilities	(24,290)	(10,172)
Equity	<u>\$ 30,648</u>	<u>\$ 48,028</u>
Equity attributable to shareholders of the parent	<u>\$ 13,638</u>	<u>\$ 21,372</u>
Equity attributable to non-controlling interests	<u>\$ 17,010</u>	<u>\$ 26,656</u>

	Shoetex Corporation	
	December 31, 2023	December 31, 2022
Current assets	\$ 77,482	\$ 77,534
Non-current assets	37,521	26,755
Current liabilities	(21,906)	(43,611)
Non-current liabilities	(40,640)	(9,353)
Equity	<u>\$ 52,457</u>	<u>\$ 51,325</u>
Equity attributable to shareholders of the parent	<u>\$ 36,128</u>	<u>\$ 32,063</u>
Equity attributable to non-controlling interests	<u>\$ 16,329</u>	<u>\$ 19,262</u>

b. Comprehensive income statements

	Miracle textile industry Co. Ltd.	
	2023	2022
Operating revenue	<u>\$ 79,459</u>	<u>\$ 144,556</u>
Net income (loss)	<u>\$ (17,381)</u>	<u>\$ (4,142)</u>

	Miracle textile industry Co. Ltd.	
	2023	2022
Other comprehensive income (loss), after tax	-	-
Total comprehensive income (loss)	\$ (17,381)	\$ (4,142)
Net income (loss) attributable to shareholders of the parent	\$ (7,735)	\$ (1,843)
Net income (loss) attributable to non-controlling interests	\$ (9,646)	\$ (2,299)
Total comprehensive income (loss) attributable to owners of parent	\$ (7,735)	\$ (1,843)
Total comprehensive income (loss) attributable to non-controlling interests	\$ (9,646)	\$ (2,299)
Dividends paid to non-controlling interests	\$ -	\$ (5,550)

	Shoetex Corporation	
	2023	2022
Operating revenue	\$ 63,812	\$ 118,729
Net income (loss)	\$ (31,468)	\$ (12,515)
Other comprehensive income (loss), after tax	-	-
Total comprehensive income (loss)	\$ (31,468)	\$ (12,515)
Net income (loss) attributable to owners of parent	\$ (21,128)	\$ (7,818)
Net income (loss) attributable to non-controlling interests	\$ (10,340)	\$ (4,697)
Total comprehensive income (loss) attributable to owners of parent	\$ (21,128)	\$ (7,818)
Total comprehensive income (loss) attributable to non-controlling interests	\$ (10,340)	\$ (4,697)
Dividends paid to non-controlling interests	\$ -	\$ -

C. Cash flows statements

	Miracle textile industry Co. Ltd.	
	2023	2022
Cash flows from operating activities	\$ (12,693)	\$ 10,845
Cash flows used in investing activities	(20,057)	(671)
Cash flows used in financing activities	14,280	(14,469)
Net decrease in cash and cash equivalents	(18,470)	(4,295)
Cash and cash equivalents, beginning of the year	26,014	30,309
Cash and cash equivalents, end of the year	\$ 7,544	\$ 26,014

	Shoetex Corporation	
	2023	2022
Cash flows from operating activities	\$ (41,876)	\$ 4,386
Cash flows used in investing activities	(21,918)	(511)
Cash flows used in financing activities	43,171	(6,665)
Net decrease in cash and cash equivalents	(20,623)	(2,790)
Cash and cash equivalents, beginning of the year	32,284	35,074
Cash and cash equivalents, end of the year	\$ 11,661	\$ 32,284

(4) Foreign currencies

A. The financial statements of each individual consolidated entity

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized

directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

All exchange differences arising on the settlement of monetary items, on translating monetary items or on translating previous financial statements are taken to profit or loss in the period in which they are arising.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

B. Consolidated financial statements

In preparing the consolidated financial statements, the financial performance and financial positions of each consolidated entity are translated into New Taiwan Dollars (NTD). The assets and liabilities of the Group's foreign operations are translated into NTD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

C. Foreign operations

For monetary items that make up a part of the reporting entity's net investments in foreign operation, exchange difference is recognized as other comprehensive income at initiation, and subsequently reclassified from equity into profit or loss upon disposal of net investments.

On the disposal of a foreign operation (including subsidiaries of foreign operations, associates, joint ventures, loss of controls, joint controls, or significant influence over the entities), the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognized but shall not be reclassified to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the Group shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation that does not result in a loss of control, the Group shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- A. It is expected to be realized within twelve months after the reporting period;
- B. It is held primarily for the purpose of trading; or
- C. The asset is cash or cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the balance sheet date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- A. It is due to settled within twelve months after the reporting period;

B. It is held primarily for the purpose of trading; or

C. The Group does not have unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(6) Cash equivalents

Cash equivalents include highly liquid investments with insignificant risk of value changes that can be readily converted into known amounts of cash and are used to meet short-term cash commitments.

(7) Inventory

Inventories comprise raw materials, materials, finished goods, semi-finished goods, work in progress and products. Inventories are stated at the lower of cost and net realizable value, which represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is based on weighted-average costing. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. When actual production exceeds normal operating capacity, fixed overheads should be amortized by the actual operating capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

(8) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Original costs shall include the purchase price, any costs incurred directly attributable to bringing the asset to the site and working condition for its intended use and borrowing costs eligible for capitalization under IAS 23 requirements. If eligible for recovering, estimated cost of dismantling and removing the asset and restoring the site in the future shall be included into the original costs.

The carrying amount of an item of property, plant, and equipment will include the cost of replacing the part of such an item when the cost is incurred if the recognition criteria (future benefits and measurement reliability) are met. The carrying amount of those parts that are replaced shall be derecognized. Repairs and maintenance costs are expensed through profit and loss.

Depreciation shall be recognized when the assets are available for their intended use and so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method mainly over the estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(9) Leases

A. Identify a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Group allocates the consideration in the contract to individual lease components on the basis of respective individual prices.

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the consolidated company periodically assesses whether there is impairment of the right-of-use assets and recognizes any impairment losses that have occurred. If the lease liabilities are remeasured, the right-of-use assets are adjusted accordingly.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and transportation equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Asset under financing lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment in the leased asset. Interest income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable. The expenditures made under an operating lease are recognized as lease revenue on a straight-line basis over the term of the lease.

(10) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis.

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effect of any changes in the estimates accounted for on a prospective basis.

(11) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible (including property, plant and equipment) and intangible assets for any indication of

impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(12) Provision

If the consolidated company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision for the liability is recognized.

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle the obligation where the time value of money is material. Moreover, possible gains on sale of assets should be ignored measuring a provision.

(13) Employee benefits

A. Short-term employee benefits

The undiscounted amount of the benefits expected to be paid and recognized as an expense in respect of service rendered by employees in an accounting period is recognized in that period, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations. Defined benefit costs under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits

expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Net defined benefit liability represents the present value of define benefit plan less the fair value of plan assets.

(14) Financial instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are initially recognized at fair values through profit or loss, in other comprehensive income, measured at amortized cost, notes and account receivables or other accounts receivables in accordance with IFRS 9 and the Regulations. All regular way purchases or sales of financial assets and liabilities are recognized on a settlement date basis.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

A. Category of financial assets and measurement

a. Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income are measured at FVTPL, including derivative financial assets. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b. Fair value through other comprehensive income (FVTOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, they will be transferred to retained earnings.

Debt instrument investments that meet two of the following conditions should be recognized as FVTOCI:

(a) Holds the financial assets within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

c. Financial assets measured at amortized cost – current, meaning all of the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Any gain or loss on derecognition is recognized in profit or loss.

d. Notes and accounts receivables, other receivables

Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services, other accounts receivables are not included.

Notes and accounts receivables, other receivables should be recognized at fair values originally and subsequently measured at amortized cost using effective interest method, less any impairment, except for those receivables with immaterial discounted effect.

B. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- a. The contractual rights to receive the cash flows from the financial asset expire.
- b. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- c. If the Group neither transfers nor retain substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On partial derecognition of a financial asset, the relative fair value of the partial derecognized financial assets at the transfer date is used to apportion the original book value of the financial assets on a pro-rata basis, to the portion of continual recognition resulted from continual participation and of derecognition. The difference between the carrying amount apportioned to the portion of the derecognized and the sum of the consideration received or receivable from the derecognized and any cumulative gain or loss that had been recognized in other comprehensive income apportioned to the derecognized is recognized as profit or loss under non-operating income and expenses. Any cumulative gain or loss that had been recognized in other comprehensive income is apportioned to the portion of continual recognition and recognition on a pro-rata basis of their fair value or retained earnings.

C. Impairment policy

a. Notes and accounts receivables, other receivables, and contract assets

Loss allowance for notes and accounts receivables, other receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. For the receivable past due over 60 days, the Group determines whether impairment exists by individually assessing customer's operating situation and debt-paying ability. For receivable past due within 60 days, including not past due, the Group measures the loss allowance with impairment occurred in receivable and contract assets for the past year along with available material information for expected losses to make reasonable assessment for impairment of receivable and contract assets. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized

impairment loss is reversed and recognized through profit or loss. The reversal shall not result in a carrying amount of receivables and contract assets that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

b. Other financial assets

The Group measures, at each reporting date, the loss allowance for debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost by assessing reasonable and supportable information including forward-looking information. For the credit risk on a financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For the credit risk on a financial asset has increased significantly since the initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

Financial liabilities

A. Classification and subsequent measurement

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

a. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on the subsequent measurement including interest paid are recognized in profit or loss.

b. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

B. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(15) Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Share-based payment arrangement

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Group's best estimate of the number expected to ultimately vest, with a corresponding increase in equity- share-based payment and should be recognized as expenses if employees vested on the grant date.

(17) Revenue Recognition

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- A. Identify the contract with the customer;
- B. Identify the performance obligation in the contract;
- C. Determine the transaction price;
- D. Allocate the transaction price to the performance obligations in the contract; and
- E. Recognize revenue when the entity satisfies a performance obligation.

The main contract revenue with the customer are from the sales of coating, resin, hardener, TPU and finished goods of footings, the Group recognize revenue when satisfies a performance obligation. Sales revenue is recognized based on contract price, net of sales returns, volume discounts and estimated sales discounts. Sales discounts and allowances are estimated and provided for based on customer contracts, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Group recognize sales returns and discounts of coating, resin, hardener, TPU and finished goods of footings as a negative of the revenue and liabilities which based on estimates of feedbacks from customers, historic experience and other reasons.

For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The period between the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. For part of the contracts where consideration is claimed upon signing the contract, then the Group has the obligation to provide the goods or the services subsequently and contract liabilities should be recognized. the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet the criteria, which is the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and the costs are expected to be recovered, the Group recognizes these as revenue and expenses when incurred.

Interest income

The interest income generated from the financial assets measured at amortized cost, FVTPL and FVOCI using effective interest method and should be recognized as profit or loss.

Dividend income

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(18) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Current tax is the amount of income taxes payable (recoverable)in respect of the taxable

profit (tax loss) for a period. Current tax for current and prior periods is, to the extent that it is unpaid, recognized as a liability, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates or laws that have been enacted or substantively enacted by the balance sheet date.

The additional income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the stockholders' meeting.

B. Deferred tax

Deferred tax is recognized on temporary differences between the book values of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for purchase of machinery equipment, research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the book values of its assets and liabilities.

The book value of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Significant accounting Judgments, Assumptions, and the major sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

When developing significant accounting estimates, the Group considers the potential impacts on cash flow projections, growth rates, discount rates, profitability, and other relevant significant accounting estimates. And the management continuously reviews these estimates and underlying assumptions. If

revisions to estimates affect only the current year, they are recognized in the year of revision. If revisions to accounting estimates affect both the current year and future years, they are recognized in both the year of revision and future years.

The main sources of uncertainty in estimates and assumptions

(1) Loss allowance of accounts receivables

The Group has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and expected credit loss rate. The Group has considered historical experience, current economic conditions, and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments.

As of December 31, 2023 and 2022, the carrying amount of loss allowance of accounts receivables amounted to \$6,486 thousand and \$701 thousand, respectively.

(2) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses estimate to determine the net realizable value of inventory at the end of each reporting period.

The Group estimates the net realizable value of inventory for normal waste, obsolescence, and unmarketable items at the end of reporting period and the writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon.

As of December 31, 2023 and 2022, the carrying amount of allowance for inventory write-down amounted to \$47,023 thousand and \$29,186 thousand, respectively.

6. Contents of significant accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 312	\$ 343
Checking accounts and demand deposits	120,554	133,893
	<u>\$ 120,866</u>	<u>\$ 134,236</u>

The details of the interest rate for bank deposits were as follows:

	December 31, 2023	December 31, 2022
Demand deposits (%)	0.001~1.450	0.001~0.550

(2) Financial assets at amortized costs—current

	December 31, 2023	December 31, 2022
Pledged time deposits	\$ 3,900	\$ 1,200
Time deposits	39,600	-
	<u>\$ 43,500</u>	<u>\$ 1,200</u>
Interests rate (%)	0.530~1.565	0.405~0.425

The details of loss allowance of financial assets at amortized costs—current were as follows:

	2023	2022
Total of carrying amount	\$ 43,500	\$ 1,200
Loss allowance	-	-
Financial assets at amortized costs	<u>\$ 43,500</u>	<u>\$ 1,200</u>

The Group's financial assets at amortized costs – current comprised custom duty deposits, bank loans with a specific purpose and bank deposits with originally due over three months and within one year which cannot be transferred to other category.

The Group's financial assets at amortized costs were pledged as collateral; please refer to note 8.

(3) Accounts and notes receivables, net

	December 31, 2023	December 31, 2022
Notes receivables		
From operating activities	\$ 68,623	\$ 92,441
Not from operating activities	-	35
	<u>\$ 68,623</u>	<u>\$ 92,476</u>
Notes receivables from related parties	<u>\$ -</u>	<u>\$ 37</u>
Accounts receivables	\$ 312,763	\$ 352,643
Less: loss allowance	(6,486)	(701)
	<u>\$ 306,277</u>	<u>\$ 351,942</u>
Accounts receivables from related parties	<u>\$ 22,508</u>	<u>\$ 13,634</u>

The credit term on sales to the customers is 30 to 120 days.

The Group applies the simplified approach to provide for its loss allowance used for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivable. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience shows that there is no significant difference in the loss patterns of different customer groups, it does not further differentiate the customer groups for the provision matrix and only sets the expected credit loss based on the number of days past due for notes and accounts receivable.

The abovementioned notes receivables which were not from operating were compensation payments by installments for the equipment was recognized as notes receivables and long-term accounts receivables of other noncurrent liabilities, respectively.

Details of allowance of accounts receivables were as follows:

December 31, 2023

	Current	Overdue 1-60 days	Overdue more than 61 days	Total
Total carrying amount	\$ 395,458	\$ 2,339	\$ 6,097	\$ 403,894
Provision for loss allowance	(360)	(29)	(6,097)	(6,486)
Cost after amortization	<u>\$ 395,098</u>	<u>\$ 2,310</u>	<u>\$ -</u>	<u>\$ 397,408</u>

The Group's abovementioned rates of expected credit loss were as follows, current rates were 0.120% , rates of due over 1 to 60 days were 0% to 41.501% and rates of due over 61 days were 65.892% to 100%.

December 31, 2022

	<u>Current</u>	<u>Overdue 1-60 days</u>	<u>Overdue more than 61 days</u>	<u>Total</u>
Total carrying amount	\$ 455,949	\$ 2,177	\$ 664	\$ 458,790
Provision for loss allowance	(31)	(6)	(664)	(701)
Cost after amortization	<u>\$ 455,918</u>	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 458,089</u>

The Group's abovementioned rates of expected credit loss were as follows, current rates were from 0.007% to 0.009%, rates of due over 1 to 60 days were 0.106% to 8.333% and rates of due over 61 days were 16.739% to 100%.

Information of changes in impairments of notes and accounts receivables were as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 701	\$ 3,029
Add: Impairment loss for the current period, net	5,875	-
Less: Reversal on impairment loss for the current period, net	-	(2,328)
Balance on December 31	<u>\$ 6,486</u>	<u>\$ 701</u>

(4) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Merchandises	\$ 3,820	\$ 6,065
Finished goods	113,834	151,147
Semi-finished goods	13,492	19,896
Work in process	11,831	16,574
Raw materials	102,277	109,041
Manufacturing materials	17,199	30,368
	<u>\$ 262,453</u>	<u>\$ 333,091</u>

The operating costs relating to inventories amounted to \$1,457,450 thousand and \$1,879,287 thousand for the year ended in 2023 and 2022, respectively.

The information of write-down of inventories to net realizable value and reversal of write-down of inventories resulting from the increase in net realizable value which were included in the cost of revenue:

	<u>2023</u>	<u>2022</u>
Reversal of inventory obsolescence for the period (gains)	<u>\$ 17,837</u>	<u>\$ (3,889)</u>

(5) Financial assets at fair value through profit or loss, non-current

	December 31, 2023		December 31, 2022	
	Amount	Ownership %	Amount	Ownership %
Financial assets at fair value through profit or loss, non-current				
Stock:				
Nanyang Cooperatives for common labors	\$ 20	0.42	\$ 20	0.42
Loyal Splendor Int'l Ltd. (Seychelles)	10,678	18.00	14,306	18.00
Grand and Great Corp. (Samoa)	27,754	3.33	24,843	4.44
Total	<u>\$ 38,452</u>		<u>\$ 39,169</u>	

The Group's financial assets at fair value through profit or loss were not pledged as collateral.

For the purpose of expanding oversea market of TPU, the Group set up a joint venture (Loyal Splendor Int 'L Ltd.(Seychelles)) with others. This decision was approved in 2017, with the intention of setting up another new company. Loyal Splendor Int 'L Ltd. made a capital injection of USD 500,000 on October 20, 2022. The Group subscribed according to its shareholding ratio. As of December 31, 2018, the Group had paid a total of USD 540,000 in investment funds.

For the purposes of vertical integration and expanding oversea market, the Group set up a joint venture (Grand and Great Corporation Limited (SAMOA)) with others. This decision was approved in 2015, with the intention of setting up another new company. The Group resolved to make a capital injection of USD 10.5 million on August 19, 2022, with the reference date for the capital injection being January 04, 2023. The Group did not subscribe according to its shareholding ratio. Resulting in a decrease in its shareholding percentage from 4.44% to 3.33%. As of December 31, 2022, the Group had paid a total of USD 1.4 million in investment funds.

The Group recognized losses due to fair value changes in the amounts of \$ (717) thousand and \$ (18,077) thousand, in 2023 and 2022, respectively.

(6) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner occupation	\$ 1,390,252	\$ 1,269,251
Operating leases	23,469	20,050
	<u>\$ 1,413,721</u>	<u>\$ 1,289,301</u>

A. Owner occupation

Carrying amount	December 31, 2023	December 31, 2022
Land	\$ 645,954	\$ 645,954
Buildings, net	446,185	228,965
Machinery equipment, net	208,661	127,963
Testing equipment, net	5,862	5,560
Pollution control equipment, net	26,773	28,580
Transportation	6,167	952
Office equipment	105	270
Other equipment	49,640	43,514
Construction in progress and inspection equipment	905	187,493
	<u>\$ 1,390,252</u>	<u>\$ 1,269,251</u>

Cost	January 1, 2023	Additions	Disposals	Prepaid	Reclassification	December 31, 2023
Land	\$ 645,954	\$ -	\$ -	\$ -	\$ -	\$ 645,954
Buildings	336,906	3,357	(9,762)	20,252	207,248	558,001
Equipment	341,665	5,831	(62,418)	114,584	-	399,662
Testing equipment	13,627	211	(1,422)	2,221	-	14,637
Pollution control equipment	88,761	810	(6,549)	6,728	-	87,750
Transportation	11,938	-	-	6,025	-	17,963
Office equipment	1,207	-	(659)	-	-	548
Other	116,964	16,713	(16,936)	10,135	-	126,876
Construction in progress and inspection equipment	187,493	24,816	-	-	(211,404)	905
	<u>\$ 1,742,515</u>	<u>\$ 51,738</u>	<u>\$ (97,746)</u>	<u>\$ 159,945</u>	<u>\$ (4,156)</u>	<u>\$ 1,852,296</u>

Accumulated depreciation and impairment	January 1, 2023	Depreciation	Disposals	Prepaid	Reclassification	December 31, 2023
Buildings	\$ 107,941	\$ 13,808	\$ (9,762)	\$ -	\$ (171)	\$ 111,816
Machine equipment	213,702	39,717	(59,817)	(2,601)	-	191,001
Testing equipment	8,067	2,130	(1,422)	-	-	8,775
Pollution control equipment	58,181	9,346	(6,550)	-	-	60,977
Transportation	10,986	810	-	-	-	11,796
Office equipment	937	165	(659)	-	-	443
Other equipment	73,450	20,648	(16,862)	-	-	77,236
	<u>\$ 473,264</u>	<u>\$ 86,624</u>	<u>\$ (95,072)</u>	<u>\$ (2,601)</u>	<u>\$ (171)</u>	<u>\$ 462,044</u>

Cost	January 1, 2022	Additions	Disposals	Prepaid	Reclassification	December 31, 2022
Land	\$ 645,954	\$ -	\$ -	\$ -	\$ -	\$ 645,954
Buildings	354,377	925	(5,751)	8,456	(21,101)	336,906
Equipment	381,095	8,165	(75,958)	28,363	-	341,665
Testing equipment	12,398	105	(370)	1,494	-	13,627
Pollution control equipment	86,303	947	(4,483)	3,994	-	86,761
Transportation	11,938	-	-	-	-	11,938
Office equipment	1,107	100	-	-	-	1,207
Other	117,656	10,492	(16,575)	5,391	-	116,964
Construction in progress and inspection equipment	49,834	137,659	-	-	-	187,493
	<u>\$ 1,660,662</u>	<u>\$ 158,393</u>	<u>\$ (103,137)</u>	<u>\$ 47,698</u>	<u>\$ (21,101)</u>	<u>\$ 1,742,515</u>

Accumulated depreciation and impairment	January 1, 2022	Depreciation	Disposals	Prepaid	Reclassification	December 31, 2022
Buildings	\$ 103,925	\$ 10,402	\$ (5,752)	\$ -	\$ (634)	\$ 107,941
Machine equipment	251,909	37,596	(75,327)	(476)	-	213,702
Testing equipment	6,631	1,805	(369)	-	-	8,067
Pollution control equipment	53,542	9,121	(4,482)	-	-	58,181
Transportation	10,176	810	-	-	-	10,986
Office equipment	682	255	-	-	-	937
Other equipment	71,631	18,394	(16,575)	-	-	73,450
	<u>\$ 498,496</u>	<u>\$ 78,383</u>	<u>\$ (102,505)</u>	<u>\$ (476)</u>	<u>\$ (634)</u>	<u>\$ 473,264</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives	Item	Useful lives
Buildings	3 to 50 years	Transportation	3 to 6 years
Machine equipment	2 to 16 years	Office equipment	5 to 6 years
Testing equipment	5 to 10 years	Other equipment	1 to 25 years
Pollution control equipment	2 to 25 years		

B. Operating leases

Carrying amount	December 31, 2023		December 31, 2022	
Buildings	\$	23,469	\$	20,050

Cost	January 1, 2023	Additions	Disposals	Prepaid	Reclassification	December 31, 2023
Buildings	\$ 21,101	\$ -	\$ -	\$ -	\$ 4,156	\$ 25,257

Accumulated depreciation and impairment	January 1, 2023	Depreciation	Disposals	Prepaid	Reclassification	December 31, 2023
Buildings	\$ 1,051	\$ 566	\$ -	\$ -	\$ 171	\$ 1,788

Cost	January 1, 2022	Additions	Disposals	Prepaid	Reclassification	December 31, 2022
Buildings	\$ -	\$ -	\$ -	\$ -	\$ 21,101	\$ 21,101

Accumulated depreciation and impairment	January 1, 2022	Depreciation	Disposals	Prepaid	Reclassification	December 31, 2022
Buildings	\$ -	\$ 417	\$ -	\$ -	\$ 634	\$ 1,051

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives
Buildings	10 to 48 years

The Group's property, plant and equipment were pledged as collateral for bank loans and secured borrowings, please refer to note 8.

(7) Leases

Lessee

A. Right-of-use assets

Carrying amount	December 31, 2023		December 31, 2022	
Buildings	\$	18,914	\$	15,771
Transportation		7,795		9,116
	\$	26,709	\$	24,887

	2023		2022	
Additions of right-of-use assets	\$	14,419	\$	7,568
Depreciation of right-of-use assets				
Buildings	\$	9,552	\$	9,521
Transportation		2,989		2,979
	\$	12,541	\$	12,500

B. Lease liabilities

	December 31, 2023	December 31, 2022
Current	\$ 12,233	\$ 10,306
Noncurrent	\$ 14,720	\$ 14,877

The discount rates of lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Buildings (%)	1.250~1.926	1.250~1.720
Transportation (%)	0.967~4.248	0.967~4.248

C. Significant leasing activities and requirements

The underlying assets leased by the Group include land, houses and buildings, company cars and photocopiers. The periods of the lease contract vary from 1 to 5 years. The lease contract is negotiated individually and contains various terms and conditions.

D. Profit and loss items associated with lease contracts are as follows:

	2023	2022
Items that affect profit or loss		
Interest expense on lease liabilities	\$ 405	\$ 432
Rent expenses on short-term lease	3,492	7,853
	\$ 3,897	\$ 8,285

E. The Group's total lease cash outflows from January 1 to December 31, 2023, and 2022 were NT\$12,978 thousand and NT\$12,885 thousand, respectively.

Lessor

A. Rental agreements

Objective	Lease period	Monthly rental revenue and method	Guarantee Deposits
Buildings in Taoyuan	2020/09/01~2025/08/31	Monthly rental fees \$100 thousand.	\$100 thousand
Buildings (dormitory)	2021/06/01~2024/06/01	Monthly rental fees \$14 thousand.	-
Buildings (plant)	2021/07/01~2027/06/30	Monthly rental fees \$149 thousand.	\$448 thousand
Buildings (warehouse)	2022/02/26~2027/05/16	Actual amount of the rental fees, according to number of buckets and weight.	-
Buildings (plant)	2022/05/01~2025/04/30	First year, monthly rental fees \$140 thousand. Starting from the second year, monthly rental fees \$147 thousand.	\$294 thousand
Buildings (warehouse)	2022/07/01~ 2023/06/30	Actual amount of the rental fees, according to number of buckets and weight.	-
Buildings (plant)	2022/08/31~ 2025/04/30	Monthly rental fees \$6 thousand. Starting from July 2023, monthly rental fees \$8 thousand.	-
Buildings (plant)	2023/01/01~2027/06/30	Monthly rental fees \$55 thousand.	\$166 thousand
Buildings (plant)	2023/02/01~2024/01/31	Monthly rental fees \$13 thousand.	\$13 thousand

1. The information of gains on operating lease rental contracts for the years ended in 2023 and 2022 were as follows:

	2023	2022
Rental revenue	\$ 5,841	\$ 4,794

2. non-cancellable operating lease contracts

	December 31, 2023	December 31, 2022
Within one year	\$ 5,604	\$ 4,978
More than 1 year to 3 years	6,332	8,114
Over 3 years	1,227	2,690

(8) Intangible assets

Carrying amounts	December 31, 2023	December 31, 2022
Computer software	\$ 3,353	\$ 5,349
Professional technology	167	1,041
	\$ 3,520	\$ 6,390

Costs	January 1, 2023	Additions	Disposals	December 31, 2023
Computer software	\$ 9,805	\$ 50	\$ (968)	\$ 8,887
Professional technology	6,803	-	(4,803)	2,000
	\$ 16,608	\$ 50	\$ (5,771)	\$ 10,887

Accumulated amortization and impairment	January 1, 2023	Additions	Disposals	December 31, 2023
Computer software	\$ 4,456	\$ 2,046	\$ (968)	\$ 5,534
Professional technology	5,762	874	(4,803)	1,833
	\$ 10,218	\$ 2,920	\$ (5,771)	\$ 7,637

Costs	January 1, 2022	Additions	Disposals	December 31, 2022
Computer software	\$ 8,997	\$ 3,902	\$ (3,094)	\$ 9,805
Professional technology	7,755	-	(952)	6,803
	\$ 16,752	\$ 3,902	\$ (4,046)	\$ 16,608

Accumulated amortization and impairment	January 1, 2022	Additions	Disposals	December 31, 2022
Computer software	\$ 5,111	\$ 2,439	\$ (3,094)	\$ 4,456
Professional technology	5,338	1,376	(952)	5,762
	\$ 10,449	\$ 3,815	\$ (4,046)	\$ 10,218

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives	Item	Useful lives
Computer software	2 to 6 years	Professional technology	5 years

(9) Other noncurrent assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 121,372	\$ 114,626
Refundable deposits	2,887	4,982
Long-term notes receivables	1,109	1,596
Other	2,538	270
	\$ 127,906	\$ 121,474

The abovementioned long-term notes receivables were for the compensation payment with installments for the machine equipment, please refer to note 6(3).

(10) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured loans		
L/C loans	\$ 19,367	\$ 62,126
Unsecured loans		
Operating deposits	31,050	17,050
L/C loans	14,118	39,400
	<u>\$ 64,535</u>	<u>\$ 118,576</u>
Loan rate (%)	1.75~6.80	1.625~6.51
Due date	Before 2024/09/04	Before 2023/08/15

The abovementioned loans were all bank loans.

The Group's short-term loans were pledged as collateral, please refer to note 8.

(11) Notes and accounts payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Arising from operation:		
Notes payables	\$ 4,052	\$ 4,291
Accounts payables	173,895	180,100
Not arising from operation:		
Other notes payables	15,562	48,259

Other notes payables were mainly used for the purchase of equipment.

(12) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Third-party transaction		
Salary and bonus payables	\$ 30,742	\$ 53,870
Insurance payables	4,663	4,663
Equipment payables	1,173	2,548
Welfare payables	-	20,000
Directors' remuneration payables	-	8,500
Other accounts payables	32,898	56,848
	<u>\$ 69,476</u>	<u>\$ 146,389</u>

(13) Provision

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Employees benefits	\$ 8,557	\$ 8,189
Returns and discounts	260	2,000
Sales rebates	-	2,255
	<u>\$ 8,817</u>	<u>\$ 12,444</u>

	Employees benefits	Returns and discounts	Sales rebates	Total
Balance on January 1, 2023	\$ 8,189	\$ 2,000	\$ 2,255	\$ 12,444
Provision for the period	8,523	260	-	8,783
Payments for the period	(33)	-	(2,255)	(2,288)
Write-off for the period	(8,122)	(2,000)	-	(10,122)
Balance on December 31, 2023	<u>\$ 8,557</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 8,817</u>

	Employees benefits	Returns and discounts	Sales rebates	Total
Balance on January 1, 2022	\$ 8,133	\$ 2,000	\$ -	\$ 10,133
Provision for the period	8,156	-	2,255	10,411
Payments for the period	(176)	-	-	(176)
Write-off for the period	(7,924)	-	-	(7,924)
Balance on December 31, 2022	<u>\$ 8,189</u>	<u>\$ 2,000</u>	<u>\$ 2,255</u>	<u>\$ 12,444</u>

The Group's provision was for benefits of accumulated paid time off as of the balance sheet date, probable sales returns of the products and the sales rebates. Provision for warranty and after service cost was estimated based on the historical information, management judgements and other known factors.

(14) Other current liabilities

	December 31, 2023	December 31, 2022
Contract liabilities	\$ 2,727	\$ 9,722
Temporary receipts	251	167
Receipts under custody	1,140	1,345
Deferred revenue – current	682	682
	<u>\$ 4,800</u>	<u>\$ 11,916</u>

(15) Long-term loans

Category	Due year	December 31, 2023	December 31, 2022
Secured borrowings	2025	\$ -	\$ 46,500
Secured borrowings	2028	220,834	-
Secured borrowings	2034	273,237	299,468
Secured borrowings	2038	292,759	82,240
Unsecured borrowings	2025	229	64,271
Unsecured borrowings	2026	3,250	4,750
Unsecured borrowings	2028	55,000	-
		<u>\$ 845,309</u>	<u>\$ 497,229</u>
Current portion of long-term loans payable		\$ 99,493	\$ 71,476
Non-current		745,816	425,753
		<u>\$ 845,309</u>	<u>\$ 497,229</u>
Interest rate of loans (%)		1.80~2.595	1.67~2.479

Some of the abovementioned loans had been paid in advance.

The abovementioned loans are bank loans and used in floating rate borrowings, please refer to note 6(23).

The Group's pledged and mortgaged assets used as collateral for long term loans, please refer to note 8.

(16) Government grants

The Group purchased pollution control equipment in 2015 and had applied for exemption in the local government in accordance with the laws. The application had been reviewed and approved by the Department of Environmental Protection in Taoyuan and obtained \$5,000 thousand of the exemption. As of December 31, 2023, the remaining amounted to \$455 thousand.

The Group purchased pollution control equipment in 2018 and had applied for exemption in the local government in accordance with the laws. The application had been reviewed and approved by the Bureau of Energy, Ministry of Economic Affairs and obtained \$5,000

thousand of the exemption. As of December 31, 2023, the government grant was recognized under other liabilities, current and long-term deferred revenue and will be transferred to other revenue in accordance the useful lives of the equipment.

The Group had applied for Industrial Upgrading Innovation Platform Guidance Program by the Ministry of Economic Affairs and had been reviewed and approved. As of December 31, 2023, the Group obtained the government grants amounted to \$14,595 thousand and recognized under other revenue.

(17) Post-employment benefits plans

A. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Act, the Group have made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts. Accordingly, the Group recognized as expenses under consolidated comprehensive income statement of \$10,758 thousand and \$10,806 thousand. As of December 31, 2023 and 2022, the unpaid amount of define benefits plans amounted to \$2,765 thousand and \$2,558 thousand, respectively.

B. Defined benefit plans

The Group has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. According to the law, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Group contributes an amount equal to 5% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Group assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government’s designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.

The net defined benefit obligation is currently calculated on the December 31, 2023, by independent actuary, Chen, Wen-Hsien, using the projected unit credit method.

The Group recognized pension expenses by using calculated pension expenses for the year ended 2023 and 2022.

(a)The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ (43,317)	\$ (44,907)
Fair value of plan assets	21,586	25,448
Net defined benefit liabilities	<u>\$ (21,731)</u>	<u>\$ (19,459)</u>

(b) Movements in net defined benefit liabilities

Movements in net defined benefit liabilities were as follows:

	2023	2022
Balance on January 1	\$ 44,907	\$ 55,683
Benefit paid	(4,828)	-
Current service costs and interests	673	540
Loss (gain) on defined benefit obligation, experience adjustments	2,153	(8,639)
Loss (gain) on defined benefit obligation, changes in assumption		
- changes in financial assumptions	412	(2,677)
Balance on December 31	<u>\$ 43,317</u>	<u>\$ 44,907</u>

(c) Movements in planned assets at fair value

Movements in net defined benefit assets were as follows:

	2023	2022
Balance on January 1	\$ 25,448	\$ 22,903
Benefit paid	449	482
Paid benefit	(4,828)	-
Interest revenue from plan assets	329	162
Gains on experience from plan assets	188	1,901
Balance on December 31	<u>\$ 21,586</u>	<u>\$ 25,448</u>

(d) Expenses through profit or loss

Expenses through profit or loss were as follows:

	2023	2022
Current service cost	\$ 100	\$ 153
Net interests from net defined benefit liabilities	224	224
Pension expenses	<u>\$ 344</u>	<u>\$ 377</u>

An analysis of employee benefits expense by function:

	2023	2022
Operating costs	\$ 222	\$ 243
Selling expenses	22	24
General and administrative expenses	90	99
Research and development expenses	10	11
	<u>\$ 344</u>	<u>\$ 377</u>

(e) Remeasurement of defined benefit obligation

	2023	2022
Loss (gain) on defined benefit obligation, experience adjustments	\$ 2,153	\$ (8,639)
Loss (gain) on defined benefit obligation, changes in assumption		
- changes in financial assumptions	412	(2,677)
Gains (loss) on experience from plan assets	(188)	(1,901)
Remeasurement of defined benefit obligation, net	<u>\$ 2,377</u>	<u>\$ (13,217)</u>

(f) The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.20%	1.30%
Expected rate of salary increase	3.50%	3.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	\$ (1,020)	\$ (1,052)
0.25% decrease	\$ 1,056	\$ 1,089
Expected rate of salary increase		
0.5% increase	\$ 1,029	\$ 1,062
0.5% decrease	\$ (1,000)	\$ (1,032)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plan for the next year	\$ 1,321	\$ 1,349
Average duration of the defined benefit obligation	9 years	9 years

(g) Short-term employees benefit plant

The Group recognized paid time off leaves expenses of \$8,523 thousand and \$8,156 thousand for the year ended in 2023 and 2022, respectively.

(18) Equity

A. Common stocks

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount of shares authorized (\$10 per share)	\$ 1,200,000	\$ 1,200,000
Amount of shares issued	\$ 823,608	\$ 823,608
Numbers of shares authorized (in thousand of shares)	120,000	120,000
Numbers of shares issued (in thousand of shares)	82,361	82,361

Each share has the same voting rights equal to the number of Directors to be elected and dividends receives.

B. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Capital surplus	\$ 983	\$ 983
Employee share options	9,506	9,506
Expired dividends	68	63
	<u>\$ 10,557</u>	<u>\$ 10,552</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the converted convertible bonds) may be used to offset deficits; in addition,

when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Group's paid-in capital on a yearly basis).

The capital surplus arising from employee share options may not be used for any purpose. The capital surplus arising from expired dividends may not be used for any purpose, except for offsetting a deficit.

The Group's reconciliation of outstanding common stocks and capital surplus were as follows:

	Capital		Capital surplus		
	Shares (in thousand)	Amount	Share premiums	Employee share options	Expired dividends
Balance on January 1, 2023	82,361	\$ 823,608	\$ 983	\$ 9,506	\$ 63
Others	-	-	-	-	5
Balance on December 31, 2023	<u>82,361</u>	<u>\$ 823,608</u>	<u>\$ 983</u>	<u>\$ 9,506</u>	<u>\$ 68</u>
Balance on January 1, 2022	82,361	\$ 823,608	\$ 42,163	\$ 9,506	\$ 49
Cash dividends from capital surplus	-	-	(41,180)	-	-
Others	-	-	-	-	14
Balance on December 31, 2022	<u>82,361</u>	<u>\$ 823,608</u>	<u>\$ 983</u>	<u>\$ 9,506</u>	<u>\$ 63</u>

C. Appropriation of earnings and dividend policy

According to the Group Act, A company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. The appropriation for legal capital reserve shall be made until the reserve equals the Group's paid-in capital. The reserve may be used to offset a deficit or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Group incurs no loss.

Pursuant to existing regulations, the Group is required to set aside additional special capital reserve equivalent to the net debit balance of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

When allocating the profits for each fiscal year, the following order shall be followed:

- (a) pay all taxes and dues.
- (b) offset accumulated deficits.
- (c) set aside 10 percent of earning as legal reserve
- (d) set aside special capital reserve in accordance with relevant laws or regulations.

The remaining balance after the mentioned above payment to be made, combining with the undistributed earnings of the proceeding years may be retained or distributed as shareholders' dividends after the approval of the shareholders' meeting.

Since the Group is in a highly developing industry, the Group has to adapt its dividend policy to meet the Group's long term development and capital requirement, along with the shareholders' demand of cash. Therefore, the Group is allowed to distribute no more than 90% of the amount of the profits of the fiscal year. The Board of Directors shall

submit a distribution proposal for approval at the shareholder's meeting. Distribution of profits may be made by way of a cash dividend or stock dividend; provided, however, the ratio for cash dividend shall be not less than 10% of total distribution.

On March 17, 2023, the appropriation of cash dividends in 2022 and on March 18, 2022, the appropriation of cash dividends in 2021, which were resolved in the meeting of the Group's board of directors, and as for the other appropriation of earnings, which were resolved in the meeting of shareholders on June 20, 2023 and June 9, 2022, respectively were as follows:

Items	Appropriation of earnings		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	\$ 27,431	\$ 7,481	\$ -	\$ -
Special capital reserve	-	2,706	-	-
Cash dividends	98,833	123,541	1.2	1.5
	<u>\$ 126,264</u>	<u>\$ 133,728</u>		

The appropriations of cash dividends have been approved by the Group's board of directors on March 18, 2022. The appropriations and cash dividends per share were \$0.5 per share with total of \$41,180 thousand.

The appropriation of earnings for 2023, which were proposed by the Group's board of directors on May 31, 2024, were as follows:

Items	Appropriation of earnings	Dividends per share (NTD)
	2023	2023
Cash dividends	<u>\$ 32,944</u>	\$ 0.4

The appropriation of earnings in 2023 is subject to the resolution of the shareholders in their meetings on May 31, 2024.

(19) Sales revenue

	2023	2022
Revenue from contracts with customers		
Sales revenue	\$ 1,552,007	\$ 2,177,815
Service revenue	28,601	8,826
	<u>\$ 1,580,608</u>	<u>\$ 2,186,641</u>

Balance of the contracts

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivables, net (including related parties)	<u>\$ 68,623</u>	<u>\$ 92,478</u>	<u>\$ 105,614</u>
Accounts receivables, net (including related parties)	<u>\$ 328,785</u>	<u>\$ 365,576</u>	<u>\$ 368,128</u>
Contract liabilities – current (Recognized as other current liabilities)	<u>\$ 2,727</u>	<u>\$ 9,689</u>	<u>\$ 10,748</u>

Changes arising from the contract liabilities were mainly because of the differences of fulfillment of the obligation and payment received from the customers.

The sales revenue on contract liabilities were as follows:

	2023	2022
Sales revenue of goods	<u>\$ 9,607</u>	<u>\$ 8,428</u>

(20) Net income

The Group's net income included the following items:

A. Other revenue

	2023	2022
Government grant	\$ 15,562	\$ -
Rental revenue	5,841	4,794
Other income	3,676	3,646
	<u>\$ 25,079</u>	<u>\$ 8,440</u>

B. Other profit and loss

	2023	2022
Gains (loss) on disposal of plant, property and equipment	\$ 4,425	\$ 190,054
Lease modification loss	(17)	-
Gains on foreign exchange	1,256	17,505
Net loss(profit) on financial assets at fair value through profit or loss	(717)	(18,077)
Reversal of impairment loss recognized in profit or loss	2,601	476
	<u>\$ 7,548</u>	<u>\$ 189,958</u>

C. Depreciation and amortization

	2023	2022
Depreciation of plant, property and equipment	\$ 87,190	\$ 78,800
Depreciation of right-of-use assets	12,541	12,500
Amortization of intangible assets	2,920	3,815
	<u>\$ 102,651</u>	<u>\$ 95,115</u>

Depreciation expenses were summarized by functions:

Operating costs	\$ 88,100	\$ 80,266
Operating expenses	11,631	11,034

Amortization expenses were summarized by functions

Operating costs	877	938
Operating expenses	2,043	2,877

	<u>\$ 102,651</u>	<u>\$ 95,115</u>
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D. Financial cost

	2023	2022
Bank loans	\$ 10,853	\$ 6,998
Interests from lease liabilities	405	432
Handling fees	353	179
	<u>\$ 11,611</u>	<u>\$ 7,609</u>
Amount of capitalized borrowing costs	\$ 4,028	\$ 2,660
Rate of capitalized borrowing costs (%)	1.284~1.932	1.284~1.656

E. Gains (loss) on foreign exchange

	2023	2022
Total of gains on foreign exchange	\$ 13,036	\$ 33,356
Total of loss on foreign exchange	(11,780)	(15,851)
Total of gains (loss) on foreign exchange	<u>\$ 1,256</u>	<u>\$ 17,505</u>

F. Employees benefits

	2023	2022
Salary	\$ 275,426	\$ 353,041
Employee insurance	29,443	28,690
Post-employment benefits plans		
Defined contribution plans	10,758	10,806
Defined benefit plans	344	377
Directors' remuneration	970	9,520
Other benefits	13,709	13,556
	<u>\$ 330,650</u>	<u>\$ 415,990</u>
Summary by function:		
Operating costs	\$ 239,722	\$ 292,545
Operating expenses	90,928	123,445
	<u>\$ 330,650</u>	<u>\$ 415,990</u>

G. Employees' compensation and remuneration of directors

According to the Group's Articles of Incorporation, the Group shall allocate compensation to directors and profit-sharing bonus to employees of the Group as follows:

If there is any profit for the current fiscal year, the Group shall allocate 5% to 10% of the profit as employees' compensation and shall allocate at a maximum of 3% of the profit as remuneration to directors, provided that the Group's accumulated losses shall have been covered in advance.

The aforementioned income was calculated using the Group's net income before income taxes without the remunerations to employees and directors for each period. The employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling companies and subsidiaries who meet certain criteria.

The distributable dividends and bonus in whole or in part or the legal reserve and capital reserved in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Group estimated the employees' compensation and directors' remuneration were as follows:

Percentage of estimate

	2023	2022
Employees' compensation	-	6.42%
Directors' remuneration	-	2.73%

Amount

	2023	2022
Employees' compensation	\$ -	\$ 20,000
Directors' remuneration	\$ -	\$ 8,500

The estimated amount of employees' compensation and directors' remuneration were recognized as an operating cost or operating expense. If there is a change in the proposed amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

If the board of directors decided to pay the employee remuneration in the form of company shares, the number of dividend shares is determined by dividing the amount of the dividend by the fair value of the share. The fair value of the share is based on the

closing price of the day before the resolution date of the shareholders' meeting.

The 2022 and 2021 employee's compensation and director's and supervisor's remuneration were respectively resolved in the board meeting on March 17, 2023 and March 18, 2022 as follows:

	2022	2021
Employees' compensation	\$ 20,000	\$ 5,762
Directors' remuneration	\$ 8,500	\$ 2,470

There is no difference between the 2022 and 2021 employee's compensation and director's and supervisor's remuneration and the Group's 2022 and 2021 recognized fee estimates.

The information about appropriations of the Group's employees' compensation and remuneration to directors is available on the Market Observation Post System website.

(21) Income tax

A. Income tax expense recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	2023	2022
Current tax		
Current year	\$ 1,996	\$ 25,471
Positive difference between the basic tax amount and the regular income tax amount	3,772	-
Adjustments for prior year	-	6
Income tax on unappropriated earnings	(5,054)	(3,852)
Deferred tax		
Current year	(16,156)	(6,194)
Income tax expense recognized in profit or loss	<u>\$ (15,442)</u>	<u>\$ 15,431</u>

A reconciliation of accounting profit and income tax expense was as follows:

	2023	2022
Profit before tax from continuing operations	\$ (34,792)	\$ 272,174
Income tax expense calculated at the statutory rate	(519)	56,590
Effect of adjustments to income tax		
Non-deductible expenses in determining taxable income	52	112
Temporary difference	9,708	4,205
Deferred tax	(16,156)	(6,194)
Positive difference between the basic tax amount and the regular income tax amount	3,772	-
Investment deduction	(7,716)	-
Income tax on unappropriated earnings	-	6
Gains on sale of the land	-	(35,820)
Other	471	384
Adjustments for prior year	(5,054)	(3,852)
Income tax expense recognized in profit or loss	<u>\$ (15,442)</u>	<u>\$ 15,431</u>

B. Recognized in other comprehensive income

	2023	2022
Remeasurement of defined benefit plans	\$ 475	\$ (2,643)

C. Deferred tax

The Group's movements of deferred tax assets and liabilities for the years ended in 2023 and 2022 were as follows:

	January 1, 2023	Recognized as profit or loss	Recognized as OCI	December 31, 2023
Deferred tax assets				
Temporary difference				
Defined benefit plans	\$ 5,630	\$ (21)	\$ -	\$ 5,609
Inventory	6,237	3,220	-	9,457
Accounts receivables	3,065	621	-	3,686
Financial assets at fair value through profit or loss	4,344	144	-	4,488
Provision	2,081	(370)	-	1,711
Plant, property and equipment	375	(55)	-	320
Other payables	1,163	(173)	-	990
Recognized loss carryforwards	10,221	11,061	-	21,282
Others	1,960	1,698	-	3,658
	<u>\$ 35,076</u>	<u>\$ 16,125</u>	<u>\$ -</u>	<u>\$ 51,201</u>
Deferred tax liabilities				
Temporary difference				
Defined benefit plans	\$ 1,738	\$ -	\$ (475)	\$ 1,263
Inventory	2,417	193	-	2,610
Plant, property and equipment	98	(45)	-	53
Others	212	(179)	-	33
	<u>\$ 4,465</u>	<u>\$ (31)</u>	<u>\$ (475)</u>	<u>\$ 3,959</u>
	January 1, 2022	Recognized as profit or loss	Recognized as OCI	December 31, 2022
Deferred tax assets:				
Temporary difference				
Defined benefit plans	\$ 6,556	\$ (21)	\$ (905)	\$ 5,630
Inventory	7,015	(778)	-	6,237
Accounts receivables	6,365	(3,300)	-	3,065
Financial assets at fair value through profit or loss	589	3,755	-	4,344
Provision	1,627	454	-	2,081
Plant, property and equipment	547	(172)	-	375
Other payables	1,291	(128)	-	1,163
Recognized loss carryforwards	6,924	3,297	-	10,221
Others	970	990	-	1,960
	<u>\$ 31,884</u>	<u>\$ 4,097</u>	<u>\$ (905)</u>	<u>\$ 35,076</u>
Deferred tax liabilities				
Temporary difference				
Defined benefit plans	\$ -	\$ -	\$ 1,738	\$ 1,738
Inventory	4,359	(1,942)	-	2,417
Plant, property and equipment	102	(4)	-	98
Others	363	(151)	-	212
	<u>\$ 4,824</u>	<u>\$ (2,097)</u>	<u>\$ 1,738</u>	<u>\$ 4,465</u>

D. Unrecognized loss carryforwards, deferred tax assets and liabilities and temporary difference

(a) Unrecognized deferred tax assets

	December 31, 2023	December 31, 2022
Investment using equity method	\$ 8,727	\$ 4,339

(b) Unrecognized deferred tax liabilities

	December 31, 2023	December 31, 2022
Investment using equity method	\$ -	\$ 1,373

E. Income tax assessment

As of March 12, 2024, the income tax returns of the Group through 2021 and its subsidiaries have been examined by the tax authorities.

(22) Capital management

The coating markets had been affected by the global demands which needs large amount of operating fund in the early of the year. The Group manages its capital risk to ensure sufficient financial resources and operational plan to meet the demand of necessary operating fund, capital expenditure, research and development expense, debt repayment, and dividend expenditure for the future. The Group had adjusted the proportion of liabilities to maintain the capital structures. The ratio of assets and liabilities as of December 31, 2023 and 2022, respectively were as follows:

	December 31, 2023	December 31, 2022
Total of liabilities	\$ 1,246,997	\$ 1,096,505
Total of assets	2,503,302	2,468,340
Ratio of liabilities (%)	49.82	44.42

(23) Financial instruments

A. Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 120,866	\$ 134,236
Financial assets at amortized cost – current	43,500	1,200
Notes and accounts receivables, net	397,408	458,089
Other accounts receivables	1,354	762
Other current assets	132	85
Other noncurrent assets	3,996	6,578
Financial assets at amortized cost – noncurrent	38,452	36,169
Financial liabilities		
Financial liabilities		
Short-term loans	\$ 64,535	\$ 118,576
Notes and accounts payables	177,947	184,391
Other accounts payables	15,562	48,259
Other payables	69,476	146,389
Guarantee deposits	1,021	853
Long-term loans (including current portion)	845,309	497,229

B. Financial risk management objectives

The Group manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects

the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

C. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

(a) Risks of foreign currency exchange rates

The Group's operating activities and investment in foreign are mainly denominated in foreign currencies and exposed to foreign currency risk.

The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group's income.

The Group had not used derivatives financial instruments for the years ended December 31, 2023 and 2022.

The Group had not hedge certain foreign exchange risks that the Group is exposed to throughout its operating.

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 10% strengthening/weakening of the functional currency against U.S. dollars, the Company's net income before tax for January 1 to December 31, 2023 and 2022 would have decreased/increased by \$16,188 thousand and \$15,457 thousand, respectively. Assuming a 10% strengthening/weakening of the functional currency against Japanese Yen, the Company's net income before tax for January 1 to December 31, 2023 and 2022 would have decreased/increased by \$82 thousand and \$5 thousand, respectively.

The information of financial assets and liabilities with major impact were as follows:

Unit: currency in thousand

Items	December 31, 2023		December 31, 2022	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	\$ 6,791	30.655	\$ 7,883	30.65
JPY	4,799	0.2146	277	0.2297
Financial liabilities				
Monetary items				
USD	190	30.655	1,579	30.65

The Company recognized gains on foreign exchange (including realized and unrealized) of \$1,256 thousand and \$17,505 thousand for the years ended December 31, 2023 and 2022, respectively.

(b) Interest rate risk

The Group holds assets and liabilities at fixed and floating interest rates which may encounter the risks of future cash flow and from the changes of market rates. The Group is exposed to interest rate risk from floating rates.

The sensitivity analysis of interest is performed based on the financial liabilities

exposed to cash flow interest rate risk at the end of each reporting period. If interest rates had been 1% higher/lower, the Company's pre-tax loss for the years ended December 31, 2023 and 2022 would have decreased/increased by \$7,030 thousand and \$4,525 thousand, respectively.

The information of carrying amount of the fixed and floating interest rate as of the balance sheet date were as follows:

Items	December 31, 2023	December 31, 2022
Fixed rates		
Financial liabilities	\$ 31,122	\$ 50,185
Floating rate borrowing		
Financial assets	156,952	126,865
Financial liabilities	878,722	565,620

D. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors, such as financial condition, external and internal credit scoring, historical experience, and economic conditions, which may affect the customer's paying ability.

As of December 31, 2023 and December 31, 2022, the Group's ten largest customers accounted for 55% and 51% of its total trade receivables (including receivables from related parties), respectively. The Group believed that the concentration of credit risk is relatively insignificant for the remaining trade receivables.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Group only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

E. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual, undiscounted payments, including principal and estimated interest of interest bearing.

December 31, 2023	On Demand or Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Noninterest bearing	\$ 262,997	\$ -	\$ 395	\$ 614	\$ -	\$264,006
Lease liabilities	6,312	6,242	13,943	1,001	-	27,498
Instruments using floating interests rate	81,378	51,528	224,049	187,299	334,468	878,722
Instruments using fixed interests rate	31,122	-	-	-	-	31,122
December 31, 2022	On Demand or Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Noninterest bearing	\$ 379,049	\$ -	\$ 395	\$ 448	\$ -	\$379,892
Lease liabilities	6,843	4,995	13,060	1,073	-	25,971
Instruments using floating interests rate	104,130	35,738	204,727	52,711	168,314	565,620
Instruments using fixed interests rate	50,185	-	-	-	-	50,185

As of December 31, 2023 and 2022, the unused financing facilities of the merger company amounted to \$615,185 thousand and \$590,452 thousand, respectively.

F. Fair value of financial instrument

(a) Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or the fair values cannot be reliably measured.

(b) Valuation techniques and assumptions used fair value measurement

Financial assets at fair value through profit or loss and financial assets at fair value through OCI is categorized under level 1 fair value.

The listed stocks, beneficiary certificates and global depositary receipts held by the Group are measured at fair value according to standard provision and conditions; the fair value is measured using the quoted price in an active market.

Financial instruments without an active market held by the Group are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

(c) Fair value measurements recognized in the consolidated balance sheet

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Stock	\$ -	\$ -	\$ 38,452	\$ 38,452
December 31, 2022	Level 1	Level 2	Level 4	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Stock	\$ -	\$ -	\$ 39,169	\$ 39,169

There was no transfer of measurements of fair value in the Group for the years ended in 2023 and 2022.

(24) Earnings per share

	2023	2022
Basic earnings per share		
Net income available to common shareholders	\$ 636	\$ 263,739
Weighted average number of common shares outstanding used in the computation of basic EPS (in thousand)	82,361	82,361
Basic earnings per share (dollar)	\$ 0.01	\$ 3.20
Diluted earnings per share		
Net income available to common shareholders	\$ 636	\$ 263,739
Weighted average number of common shares outstanding used in the computation of basic EPS (in thousand)	82,361	82,361
Effects of all dilutive potential common shares (in thousand)		
Employees compensation	-	1,039
Weighted average number of common shares used in the computation of diluted EPS (in thousand)	82,631	83,400
Diluted EPS (in dollars)	\$ 0.01	\$ 3.16

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

(25) Non-cash transaction

Investing and financing activities which were not listed in the statement of cash flows for the years ended in 2023 and 2022 were as follows:

A. Financing activities that will not have effect on cash flows

	December 31, 2023	December 31, 2022
Current portion of long-term loans payable	\$ 99,493	\$ 71,476

B. Investing activities of property, plant and equipment

	2023	2022
Additions of property, plant and equipment	\$ (51,738)	\$ (158,393)
Changes in other notes payables	(32,697)	44,084
Changes in other accounts payables	(1,375)	(4,891)
Capitalized interests	1,615	1,634
Payments for acquisition of property, plant and equipment	\$ (84,195)	\$ (117,566)

C. Investing activities of intangible assets

	2023	2022
Additions of intangible assets	\$ (50)	\$ (3,902)
Prepayments for equipment	-	3,074
Payments for acquisition of intangible assets	\$ (50)	\$ (828)

7. Related-party transactions

Intercompany balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

(1) Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Hor Jing Corp.	Others
Htm Material Co., Ltd	Others
Wada Technology Co., Ltd	Others
Chia Cherng Industry Co., Ltd	Others
Panel Trading Co., Ltd.	Others
VESSI Footwear LTD.	Others
Win Tech Worldwide Co. LTD.	Others
Wang, Hong-Rong	Others
Wu, Li Hsueh	Others
Chen Wu, Li Show	Others

(2) Operating revenue

<u>Accounts</u>	<u>Category</u>	<u>2023</u>	<u>2022</u>
Operating revenue	Other related party	\$ 47,702	\$ 108,814

The sales price to related parties was determined based on normal market terms. The collection terms for related parties were 30 to 120 days after monthly closing.

(3) Purchases

	<u>2023</u>	<u>2022</u>
Others	\$ 4,696	\$ 2,263

The purchase prices to related parties was determined based on normal market terms. The payment terms for related parties were 30 to 60 days after monthly closing.

(4) Accounts receivable-related parties

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivables	Others	\$ -	\$ 37
Accounts receivables	Others	\$ 22,508	\$ 13,634
Other accounts receivables	Others	\$ -	\$ 130

The Group had no insurance for those outstanding accounts receivables from related parties.

(5) Accounts payable-related parties

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes payables	Others	\$ 1,403	\$ -

The Group had no insurance for those outstanding accounts payables from related parties.

(6) Lease agreements

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liability	Others	\$ 2,176	\$ -

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Interest expense	Others	\$ 34	\$ 8

(7) Other

A. Guarantee deposits (recognized as other noncurrent assets)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Others	\$ 220	\$ 220

(8) Directors, supervisors, and the management's remuneration

Directors, supervisors, and the management's remuneration were as follows:

	<u>2023</u>	<u>2022</u>
Short-term benefits	\$ 21,841	\$ 35,741
Post-employment benefits	622	630
	<u>\$ 22,463</u>	<u>\$ 36,371</u>

The compensation to directors and other key management personnel were determined by the compensation committee of the Group in accordance with the individual performance and market trends.

8. Assets Pledged as Collateral

<u>Assets</u>	<u>Purposes</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	Long-term and short-term loans	\$ 642,154	\$ 642,154
Buildings	Long-term and short-term loans	418,705	224,153
Machinery equipment	Long-term loans	-	4,007
Financial assets at amortized cost – current	Short-term loans	3,900	-
Financial assets at amortized cost – current	Custom duty deposits	39,600	1,200
		<u>\$ 1,104,359</u>	<u>\$ 871,514</u>

9. Significant Contingencies and Unrecognized Contract Commitments

- (1) For the purpose of purchasing materials, the amount of the L/C of the Group had issued but not yet used were \$22,399 thousand and \$21,577 thousand for the years ended in 2023 and 2022.
- (2) The Group had signed contracts regarding to the purchase of equipment which were not recognized in were \$94,254 thousand and \$109,492 thousand for the years ended in 2023 and 2022.
- (3) As of December 31, 2023 and 2022, the Group had signed an unfinished construction amounted to \$ 188 thousand and \$24,039 thousand.

10. Significant Disasters Loss: None

11. Significant Subsequent Events

- (1) The Group's subsidiary, Shoetex corporation had accumulated losses of \$67,543 thousand as of December 31, 2023, reaching half of its paid-in capital. On February 26, 2024, the board of directors approved a resolution to reduce capital to offset the losses, proposing a reduction of \$67,542 thousand.
- (2) The Group's subsidiary, Shoetex corporation increased its capital by cash by approval of board of directors on February 26, 2024, to improve the financial structure. The proposed total capital increase amount is NT\$30 million. After approval of the capital adjustment in the Group's

shareholders' meeting, the board of directors will then determine the issuance of new shares.

- (3) The Group's subsidiary, Shoetex corporation increased its capital by cash by approval of board of directors on February 26, 2024. The proposed total capital increase amount is NT\$30 million. The Group resolved at the board meeting on March 12, 2023, to subscribe according to its shareholding ratio. In the event of any shortfall in the subscription for the capital increase of its subsidiary, Shoe Crystal Technology Co., Ltd., the Board is authorized to decide whether the Group will handle the related matters or negotiate with specific individuals.

12. Others: None.

13. Other Disclosures

- (1) Information on significant transactions and (2) investees
- A. Loans to other parties: None
 - B. Guarantees and endorsements for other parties: None
 - C. Securities held as of December 31, 2023 (excluding investment in subsidiaries): Please refer to Table 1.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - F. Disposal of real property with transaction amount reaches 20% or more of capital surplus, or NT\$ 300 million: None
 - G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
 - I. Trading in derivative instruments: None.
 - J. Business relationships and significant intercompany transactions: Please refer to Table 2.
 - K. Information of investees: Please refer to Table 3.
- (3) Information on investment in Mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 4.
 - B. Any of the following significant transactions with investee companies in the mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
 - (c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.

(f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Major shareholders: The information on major shareholders who hold 5 percent, please refer to Table 5.

14. Segment information

(1) Operation

The Group has four segments, including coating and lamination, polymer, TPU and sports. The segment of coating and lamination were mainly for manufacturing; the segment of TPU were mainly for manufacturing of PU resin for shoes, coating and lamination, hardener, and Thermoplastic Polyurethane (TPU) and sales of photo initiators and the main business for production line of finished shoes were mainly from sales of sports shoes and manufacturing.

The Group's unallocated expenses or nonrecurring expenses should allocate to the segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4. The profit or loss for the operating department was measured by operating income or loss before tax and it is the base to evaluate the performance.

(2) Segment information

The Group's operating segment information and reconciliations were as follows:

2023	Coatings	Polymer	TPU	Finished goods of shoes	Others	Reconciliation and elimination	Total
External revenue	\$ 765,789	\$ 567,948	\$ 184,241	\$ 62,630	\$ -	\$ -	\$ 1,580,608
Inter-segment revenue	\$ 1,971	\$ 288,201	\$ 54,832	\$ 1,182	\$ -	\$ (346,186)	\$ -
Reportable segment operating income (loss)	\$ (13,721)	\$ 39,120	\$ (49,707)	\$ (39,346)	\$ -	\$ 28,862	\$ (34,792)
2022	Coatings	Polymer	TPU	Finished goods of shoes	Others	Reconciliation and elimination	Total
External revenue	\$1,137,143	\$ 703,436	\$ 227,342	\$ 118,720	\$ -	\$ -	\$2,186,641
Inter-segment revenue	\$ 6,481	\$ 441,582	\$ 77,609	\$ -	\$ -	\$ (525,672)	\$ -
Reportable segment operating income (loss)	\$ 44,088	\$ 65,607	\$ (21,599)	\$ (15,306)	\$189,685	\$ 9,699	\$ 272,174

(3) Information by product and service.

The Group has operating activities only in Taiwan.

(4) Information on major customers

Information of single customers whose revenue comprised up to 10% of the Group's total revenue:

	2023	2022
Customer B	\$ 198,560	\$ 258,704

Shuang Bang Industrial Corporation and Subsidiaries
Securities held as of December 31, 2023 (excluding investment in subsidiaries)
December 31, 2023

Name of holder	Category and name of security (note 1)	Relationship with company	Account title	Ending balance (note 2)				Note
				Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Shuang Bang Industrial Corporation	Stock-Nangang Cooperatives for common labors	—	Financial assets at fair value through profit or loss — non-current	200 shares	20	0.42	20	(Note 3)
Shuang Bang Industrial Corporation	Stock-LOYAL SPLENDOR INT'L LTD.(Seychelles)	—	Financial assets at fair value through profit or loss — non-current	540	10,678	18.00	10,678	(Note 3)
Shuang Bang Industrial Corporation	Stock-GRAND AND GREAT CORPORATION LIMITED(Samoa)	—	Financial assets at fair value through profit or loss — non-current	1,400	27,754	3.33	27,754	(Note 3)

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial instruments.”

Note 2: Refer to the note 6(5) in consolidated financial statements.

Note 3: The number of shares of securities were not provided as collateral, pledged for loans, or subject to any other contractual restrictions on their use under certain agreements.

Shuang Bang Industrial Corporation and Subsidiaries
Business relationship and significant intercompany transactions
For year ended December 31, 2023
(Amounts in Thousand of New Taiwan Dollars, Unless Specified Otherwise)

Number (Note1)	Name of Company	Name of counterparty	Nature of relationship (Note2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note3)
0	Shuang Bang Industrial Corporation	Miracle textile industry Co., LTD.	1	Sales revenue	31,933	-	2.02
				Notes receivables – related party	6,412	Net 120 days	0.26
				Accounts receivables – related party	2,468	Net 120 days	0.10
0	Shuang Bang Industrial Corporation	Shoetex Corporation	1	Sales revenue	3,867	-	0.24
				Accounts receivables – related party	1,830	Net 105 days	0.07
				Lease receivables – related party	8,602	-	0.34
				Other accounts receivables – related party	1,465	Net 105 days	0.06
				Other accounts payables – related party	469	-	0.02
				Operating -			
				entertainment expense	7	-	-
				other expense	52	-	-
				Administrative -			
				entertainment expense	69	-	-
				waste disposal fees	31	-	-
				other expense	1,110	-	0.07
Rental income	15	-	-				
Other income	166	-	0.01				

Note1: Numbers are filled in as follows:

1.0 represents the parent company.

2. Subsidiaries are numbered from 1.

Note 2: Nature of relationship: 1. From parent to subsidiary. ; 2. From subsidiary to parent. 3. Between subsidiaries. Related party transactions are not separately disclosed.

Note 3: Regarding the percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on ending balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

Shuang Bang Industrial Corporation and Subsidiaries
Information on investee
For year ended December 31, 2023
(Amounts in Thousand of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main business	Original investment amount		Balance as of December 31, 2023			Net income (loss) of the investees (note 1)	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2023	December 31, 2022	Shares (in thousand)	Percentage of ownership %	Carrying value			
Shuang Bang Corporation	Miracle textile industry Co., LTD.	Taiwan	Manufacturing of coatings	22,517	22,517	2,225	44.50	13,404	(17,381)	(7,735)	Subsidiary
Shuang Bang Corporation	Shoetex Corporation	Taiwan	Manufacturing of finished shoes	82,650	54,600	8,265	68.87	36,062	(31,468)	(21,128)	Subsidiary

Note1: Recognized based on the financial statements audited by certified public accountants.

Table 4

Shuang Bang Industrial Corporation and Subsidiaries
Information of investment in Mainland China
For year ended December 31, 2023
(Amounts in Thousand of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (Note 3)	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2023(Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
-	-	-	-	-	-	-	-	-	-	-	-	-

Accumulated Investment in Mainland China as of S December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 1)
24,849	24,849	733,780

Note1: The net value of the stocks on the balance sheet date by $1,222,966 \text{ thousand} * 0.6 = 733,780 \text{ thousand dollars}$.

Note2: The above amounts were translated into New Taiwan dollars at the prevailing exchange rate as of December 31, 2023, except for the original investment.

Note3: The Group did not have any investments in Mainland China currently.

Shuang Bang Industrial Corporation
Information of major shareholders
December 31, 2023

Shareholders	Shares	
	Total shares owned	Ownership percentage
Chang, Chung-Tung	6,700,207	8.13%
Chen, A-Ming	4,998,802	6.06%

Note1 : The main shareholder information in this table was calculated by the insurance company Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter, the total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Group without physical registration has reached more than 5%. As for the share capital recorded in the Group's financial report and the number of shares actually delivered by the Group without physical registration, there may be differences due to the different calculation basis.

Stock Code:6506

Shuang-Bang Industrial Corporation
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of Shuang-Bang Industrial Corporation.

Opinion

We have audited the accompanying parent company only balance sheets of Shuang-Bang Industrial Corporation. (the "Company") as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the notes to the parent company only financial statements, (including a summary of significant accounting policies).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the parent company as of December 31, 2023 and 2022, and its financial performance and cash flows year ended December 31, 2023 and 2022, in accordance with requirements of the Regulations Governing the Preparations of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are the further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Shuang-Bang Industrial Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the 2023 parent company only financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

Allowance for losses on Accounts Receivable

The management's judgment on the recognition of allowance for losses on accounts receivable is based on the evaluation of both internal and external information, as such, it was one of the key audit matters for our audit. Therefore, our principal audit procedures included testing the effectiveness of controls related to accounts receivable, obtaining the ledgers and records, selecting samples for obtaining confirmation letters; obtaining aging analysis of accounts receivable and verifying the accuracy of relevant documents and the aging intervals, reviewing the provision for bad debts on the ledger to ensure that it is provided based on the loss rate, and evaluating whether management's recognition of impairment losses on accounts receivable is correct.

Please refer to Note 4 “Summary of significant accounting policies—Accounts receivables”, Note 6(3) in notes to the parent company only financial statements for.

Valuation of inventories

Inventories are stated at the lower of cost and net realizable value. However, the rapid evolution of technology and the fluctuation of market may lead to obsolescence and render products unmarketable. As inventory must be measured at the lower of cost and net realizable value, management must assess the amount of inventory on the balance sheet date that is impaired due to normal wear and tear, obsolescence or lack of market sales value, and write down the inventory costs to net realizable value. The inventory valuation is mainly based on past experience and estimated future product demand. Therefore, the auditor pays particular attention to whether the company complies with International Accounting Standards 2 (IAS2) in measuring inventory at the lower of cost and net realizable value and whether management's provision for inventory write-downs is reasonable.

The audit procedures performed by the auditor include:

1. Testing the age of inventory on the balance sheet date, and comparing the provision for inventory obsolescence with the previous year, analyzing the reasons for differences, and checking the relevant data used to calculate the provision for inventory write-downs, and comparing the historical provision with the actual offsetting differences.
2. On a sample basis, comparing the latest actual selling price of inventory at the end of the period with its book value to ensure whether the inventory has been evaluated at the lower of cost and net realizable value.
3. Comparing the ending inventory balance on the end of the year with the inventory details for the current year to verify the existence and completeness of inventory in the end of the year. By observing annual physical counts of goods, the auditors assess the reasonableness of the amount of allowance for inventory write-down.

Please refer to Note 4 “Summary of significant accounting policies—Inventories”, Note 6(4) in notes to the parent company only financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the directions, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jim Chen Ko and Lin Hui Fen.

Weyong International CPAs&Co.

Taichung, Taiwan (Republic of China)

March 12, 2024

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

Shuang-Bang Industrial Corporation
Parent-company-only Balance Sheets
(In thousands of New Taiwan Dollars)
December 31, 2023 and 2022

Codes	Assets	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 101,662	4.28	\$ 75,938	3.24
1137	Financial assets at amortized cost -current	6(2)	3,900	0.16	900	0.04
1150	Notes receivables, net	6(3)	62,198	2.62	83,065	3.55
1152	Other notes receivables	6(3)	-	-	35	-
1160	Notes receivable from related parties, net	6(3), 7	6,412	0.27	7,666	0.33
1170	Accounts receivables, net	6(3)	275,045	11.58	329,211	14.04
1180	Accounts receivables from related parties, net	6(3), 7	22,763	0.96	11,256	0.48
1199	Finance lease receivables from related parties	7	8,602	0.36	1,280	0.05
1200	Other receivables		1,038	0.04	201	0.01
1210	Other receivables from related parties	7	1,465	0.06	1,266	0.05
130X	Inventory	6(4)	233,617	9.83	302,196	12.89
1470	Other current assets		15,169	0.64	23,051	0.98
11XX	Total current assets		<u>731,871</u>	<u>30.80</u>	<u>836,065</u>	<u>35.66</u>
Non current assets						
1510	Financial assets at fair value through profit or loss -non-current	6(5)	38,452	1.62	39,169	1.67
1550	Investments accounted for using equity method	6(6)	49,466	2.08	52,920	2.26
1600	Property, plant and equipment	6(7)	1,391,285	58.55	1,259,534	53.72
1755	Right-of-use assets	6(8)	8,578	0.36	8,019	0.34
1780	Intangible assets	6(9)	3,033	0.13	5,583	0.24
1840	Deferred income tax assets	6(22)3	27,098	1.14	23,058	0.99
1900	Other noncurrent assets	6(10), 7	126,521	5.32	120,089	5.12
15XX	Total noncurrent assets		<u>1,644,433</u>	<u>69.20</u>	<u>1,508,372</u>	<u>64.34</u>
1XXX	Total assets		<u>\$ 2,376,304</u>	<u>100.00</u>	<u>\$ 2,344,437</u>	<u>100.00</u>

(Continued)

Shuang-Bang Industrial Corporation
Parent-company-only Balance Sheets
(In thousands of New Taiwan Dollars)
December 31, 2023 and 2022

Codes	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11)	\$ 63,485	2.67	\$ 106,526	4.54
2151	Notes payables	6(12)	444	0.02	322	0.01
2152	Other notes payables	6(12)	15,493	0.65	48,133	2.05
2170	Accounts payables	6(12)	166,248	7.00	173,809	7.41
2180	Accounts payables from related parties	6(12), 7	1,403	0.06	-	-
2200	Other accounts payables	6(13)	57,087	2.40	132,437	5.65
2220	Other accounts payables from related parties	6(13), 7	469	0.02	53	-
2230	Income tax payables		5,694	0.24	25,460	1.09
2250	Provision for warranty obligations-current	6(14)	7,023	0.30	10,528	0.45
2281	Lease liabilities from third parties	6(8)	5,259	0.22	4,396	0.19
2282	Lease liabilities from related parties	6(8), 7	1,081	0.04	-	-
2300	Other current liabilities	6(15)	4,541	0.19	2,867	0.12
2322	Current portion of long-term loans payable	6(16)	96,306	4.05	66,231	2.83
21XX	Total current liabilities		<u>424,533</u>	<u>17.86</u>	<u>570,762</u>	<u>24.34</u>
	Non-current liabilities					
2540	Long-term loans	6(16)	690,524	29.06	416,571	17.77
2570	Deferred income tax payable	6(22)3	3,906	0.16	4,288	0.18
2581	Lease liabilities from third parties -non current	6(8)	9,435	0.40	4,812	0.21
2582	Lease liabilities from parties-non current		1,095	0.05	-	-
2630	Long-term deferred revenue		1,193	0.05	1,875	0.08
2640	Net defined benefit liabilities -non current	6(18)	21,731	0.91	19,459	0.83
2645	Guarantee deposits		921	0.04	753	0.03
25XX	Total noncurrent liabilities		<u>728,805</u>	<u>30.67</u>	<u>447,758</u>	<u>19.10</u>
2XXX	Total liabilities		<u>1,153,338</u>	<u>48.53</u>	<u>1,018,520</u>	<u>43.44</u>
	Equity					
3100	Capital Stock	6(19)1				
3110	Common stock		823,608	34.66	823,608	35.13
3200	Capital surplus	6(19)2	10,557	0.44	10,552	0.45
3300	Retained earnings					
3310	Appropriated as legal capital reserve		169,093	7.12	141,662	6.04
3320	Appropriated as special capital reserve		-	-	4,369	0.19
3350	Unappropriated earnings	6(19)3	219,708	9.25	345,726	14.75
3XXX	Total equity		<u>1,222,966</u>	<u>51.47</u>	<u>1,325,917</u>	<u>56.56</u>
	Total		<u>\$ 2,376,304</u>	<u>100.00</u>	<u>\$ 2,344,437</u>	<u>100.00</u>

The accompanying notes are an integral part of the parent company only financial statements.

Shuang-Bang Industrial Corporation
Parent-company-only Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars, except for earnings per share)

Codes	Items	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	6(20), 7	\$ 1,474,319	100.00	\$ 1,981,438	100.00
5000	Cost of revenues	7	(1,309,322)	(88.81)	(1,669,377)	(84.25)
5900	Gross profit		164,997	11.19	312,061	15.75
5910	Unrealized gain from sale		(1,609)	(0.11)	(7,717)	(0.39)
5920	Realized gain from sale		2,037	0.14	7,636	0.39
5950	Gross profit		165,425	11.22	311,980	15.75
	Operating Expenses					
6100	Sales and marketing	7	(59,136)	(4.01)	(85,313)	(4.31)
6200	General and administrative	7	(61,282)	(4.16)	(97,176)	(4.90)
6300	Research and development		(34,271)	(2.32)	(24,713)	(1.25)
6450	Expected credit gain(loss)		(6,150)	(0.42)	1,068	0.05
6000	Total operating expenses		(160,839)	(10.91)	(206,134)	(10.41)
6900	Operating income		4,586	0.31	105,846	5.34
	Non-operating income and expenses					
7010	Other income	6(21)1, 7	23,443	1.59	7,771	0.39
7020	Other gains and loss	6(21)2	8,121	0.55	185,536	9.37
7050	Finance costs	6(21)4, 7	(10,849)	(0.74)	(6,805)	(0.34)
7070	Share of profits of associates	6(6)	(28,807)	(1.95)	(9,653)	(0.49)
7100	Interest income		909	0.06	257	0.01
7000	Total non-operating income and expenses		(7,183)	(0.49)	177,106	8.94
7900	Income before tax		(2,597)	(0.18)	282,952	14.28
7950	Less: Income tax expense	6(22)1	3,233	0.22	(19,213)	(0.97)
8200	Net income	6(21)	636	0.04	263,739	13.31
	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(18)2(5)	(2,377)	(0.16)	13,217	0.66
8349	Income tax related to items that will not be reclassified subsequently	6(22)2	475	0.03	(2,643)	(0.13)
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations		-	-	4,369	0.22
8300	Other comprehensive income (loss), net		(1,902)	(0.13)	14,943	0.75
8500	Total comprehensive income (loss)		\$ (1,266)	(0.09)	\$ 278,682	14.06
	Earnings per share	6(25)				
9750	Basic earnings per share		\$ 0.01		\$ 3.20	
9850	Diluted earnings per share		\$ 0.01		\$ 3.16	

The accompanying notes are an integral part of the parent company only financial statements.

Shuang-Bang Industrial Corporation
Parent-company-only Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollars)

Item	Codes	Retained earnings					Total other equity interest		Total equity 3XXX
		Capital Stock- Common stock 3110	Capital Surplus 3200	Legal reserve 3310	Special Reserve 3320	Unappropriated retained earnings 3350	Total 3300	Exchange differences on translation of foreign financial statements 3410	
Balance on January 1, 2022	A1	\$ 823,608	\$ 51,669	\$ 134,181	\$ 1,663	\$ 205,141	\$ 340,985	\$ (4,369)	\$ 1,211,942
Appropriations of earnings of legal reserve	B1	-	-	7,481	-	(7,481)	-	-	-
Appropriations of earnings of special reserve	B3	-	-	-	2,706	(2,706)	-	-	-
Cash dividends	B5	-	-	-	-	(123,541)	(123,541)	-	(123,541)
Cash dividends from capital surplus	C15	-	(41,180)	-	-	-	-	-	(41,180)
Changes in capital surplus	C17	-	14	-	-	-	-	-	14
Net income for the year	D1	-	-	-	-	263,739	263,739	-	263,739
Other comprehensive income(loss) for the year	D3	-	-	-	-	10,574	10,574	4,369	14,943
Total comprehensive income(loss)	D5	-	-	-	-	274,313	274,313	4,369	278,682
Balance on December 31, 2022	Z1	823,608	10,552	141,662	4,369	345,726	491,757	-	1,325,917
Appropriations of earnings of legal reserve	B1	-	-	27,431	-	(27,431)	-	-	-
Cash dividends	B5	-	-	-	-	(98,833)	(98,833)	-	(98,833)
Special surplus reserve reversed	B17	-	-	-	(4,369)	4,369	-	-	-
Changes in capital surplus	C17	-	5	-	-	-	-	-	5
Net income for the year	D1	-	-	-	-	636	636	-	636
Other comprehensive income(loss) for the year	D3	-	-	-	-	(1,902)	(1,902)	-	(1,902)
Total comprehensive income(loss)	D5	-	-	-	-	(1,266)	(1,266)	-	(1,266)
Changes in ownership equity of subsidiaries	M7	-	-	-	-	(2,857)	(2,857)	-	(2,857)
Balance on December 31, 2023	Z1	\$ 823,608	\$ 10,557	\$ 169,093	\$ -	\$ 219,708	\$ 388,801	\$ -	\$ 1,222,966

accompanying notes are an integral part of the parent company only financial statements.

Shuang-Bang Industrial Corporation
Parent-company-only Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollar)

Codes	Items	2023	2022
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	\$ (2,597)	\$ 282,952
A20000	Adjustments for:		
A20010	Adjustments to reconcile profit/(loss)		
A20100	Depreciation expense	81,634	73,768
A20200	Amortization expenses	2,600	3,468
A20300	Expected credit loss (reversed gain)	6,150	(1,068)
A20400	Net loss(profit) on financial assets at fair value through profit or loss	717	18,077
A20900	Interest expense	10,577	6,627
A21200	Interest income	(909)	(257)
A22400	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	28,807	9,653
A22500	Gain on disposal or retirement of property, plant and equipment	(4,425)	(190,010)
A23800	Reversal of impairment loss recognized in profit or loss, non-financial assets	(2,601)	(476)
A23900	Unrealized gain from sales	1,609	7,717
A24000	Realized gain from sales	(2,037)	(7,636)
A24100	Unrealized loss(gain) on foreign exchange	3,857	2,081
A29900	Others (government grants)	(682)	(682)
A29900	Others	40	-
A20010	Total adjustments to reconcile profit(loss)	<u>125,337</u>	<u>(78,738)</u>
A30000	Changes in operating assets and liabilities:		
A31000	Changes in operating assets		
A31130	Decrease (Increase) in accounts receivable	22,121	8,765
A31150	Decrease (Increase) in accounts receivable	32,339	(14,610)
A31180	Increase (Decrease) in other receivables	(549)	75
A31200	Decrease in inventories	68,579	33,583
A31240	Decrease (Increase) in other current assets	7,882	(4,421)
A31990	Decrease in other operating assets	35	430
A31000	Total changes in operating assets	<u>130,407</u>	<u>23,822</u>
A32000	Changes in operating liabilities		
A32130	Increase (Decrease) in notes payable	122	(17,158)
A32150	Decrease in accounts payable	(5,133)	(21,268)
A32180	Decrease (Increase) in other payables	(73,649)	30,980
A32200	Decrease (Increase) in provisions	(3,505)	2,219
A32230	Increase (Decrease) in other current liabilities	1,705	(53,330)
A32240	Decrease in net defined benefit liability	(105)	(104)
A32000	Total changes in operating liabilities	<u>(80,565)</u>	<u>(58,661)</u>
A30000	Total changes in operating assets and liabilities	<u>49,842</u>	<u>(34,839)</u>
A20000	Total adjustments	<u>175,179</u>	<u>(113,577)</u>
A33000	Cash flow generated from operations	172,582	169,375
A33100	Interest received	909	257
A33300	Interest paid	(14,514)	(9,343)
A33500	Income tax paid	(20,479)	(14,184)
AAAA	Net cash flows generated by (used in) operating activities	<u>138,498</u>	<u>146,105</u>

(Continued)

Shuang-Bang Industrial Corporation
Parent-company-only Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In thousands of New Taiwan Dollar)

Codes	Items	2023	2022
BBBB	Cash flows from investing activities		
B00040	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ (3,000)	\$ -
B00100	Acquisition of financial assets at fair value through profit or loss	-	(2,854)
B01800	Acquisition of investments accounted for under the equity method	(28,050)	-
B02700	Acquisition of property, plant and equipment	(81,519)	(116,283)
B02800	Proceeds from disposal of property, plant and equipment	7,100	461,901
B03700	Increase in refundable deposits	(51)	(2,100)
B03800	Decrease in refundable deposits	2,146	-
B04500	Acquisition of intangible assets	(50)	(828)
B05000	Cash received through merger	-	45
B06000	Long-term Lease payments receivable	2,355	1,920
B06700	Decrease in other noncurrent assets	(1,718)	(4)
B07100	Increase in prepayments for business facilities	(164,875)	(120,916)
B07600	Dividends received	-	4,450
BBBB	Net cash flow used in (generated by) investing activities.	<u>(267,662)</u>	<u>225,331</u>
CCCC	Cash flows from financing activities		
C00100	Increase in short-term loans	536,973	624,098
C00200	Decrease in short-term loans	(580,014)	(741,805)
C01600	Proceeds from long-term bank loans	620,000	80,000
C01700	Repayment of long-term bank loans	(315,972)	(126,302)
C03000	Increase in guarantee deposits	178	-
C03100	Decrease in guarantee deposits	(10)	294
C04020	Repayment of the principal portion of lease liabilities	(6,696)	(6,814)
C04500	Cash dividends	(98,833)	(164,721)
C09900	Others	5	14
CCCC	Net cash flow generated by (used in) financing activities	<u>155,631</u>	<u>(335,236)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(743)</u>	<u>(845)</u>
EEEE	Net increase in cash and cash equivalents	25,724	35,355
E00100	Cash and cash equivalents, beginning of the year	75,938	40,583
E00200	Cash and cash equivalents, end of the year	<u>\$ 101,662</u>	<u>\$ 75,938</u>
E00210	Cash and cash equivalents on parent company only balance sheets	<u>\$ 101,662</u>	<u>\$ 75,938</u>

The accompanying notes are an integral part of the parent company only financial statement.

Shuang Bang Industrial Corporation
Notes to Parent-Company-Only Financial Statements
For the years ended December 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Shuang Bang Industrial Corporation (the Company) was incorporated on November 17, 1989. The Company is mainly engaged in manufacturing of PU resin for shoes, coating and lamination, hardener, and Thermoplastic Polyurethane (TPU) as well as the sales of photoinitiators. The Company's stock has been listed on the Taipei Exchange (TPEX) since May 3, 2011. The registered address main operational base of the Company are located at No. 3, Yongxing Road, Nantou City, Nantou County.

The financial statements of this entity are expressed in the functional currency of the Company, which is New Taiwan Dollars.

2. Approval date and procedures of the financial statements

The accompanying parent-company-only financial statements were approved and authorized for issue by the Board of Directors on March 12, 2024.

3. New standards, amendments and interpretations adopted

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant impact on the accounting policies of Shuang Bang Industrial Corporation.

(2) The IFRS issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting from 2024:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the accompanying parent-company-only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the accompanying parent-company-only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Accounting Standards Used in Preparation of the Parent Company Only Financial Statements”).

(2) Basis of preparation

The accompanying parent company only financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- A. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- B. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- C. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, as appropriate, in the parent company only financial statements.

(3) Foreign currencies

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

All exchange differences arising on the settlement of monetary items, on translating monetary items or on translating previous financial statements are taken to profit or loss in the period in which they are arising.

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

For the purpose of presenting parent company only financial statements, the functional currencies of the Company and the Group (including subsidiaries and associates that use currency different from the currency of the Company) are translated into the presentation currency the New Taiwan dollar as follows:

Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated recognized under Exchange differences arising on translation of foreign operations.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

A. It is expected to be realized within twelve months after the reporting period;

- B. It is held primarily for the purpose of trading; or
- C. The asset is cash or cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the balance sheet date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- A. It is due to settled within twelve months after the reporting period;
- B. It is held primarily for the purpose of trading; or
- C. The Company does not have unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(5) Cash equivalents

Cash equivalents include highly liquid investments with insignificant risk of value changes that can be readily converted into known amounts of cash and are used to meet short-term cash commitments.

(6) Inventory

Inventories comprise raw materials, materials, finished goods, semi-finished goods, work in progress and products. Inventories are stated at the lower of cost and net realizable value, which represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is based on weighted-average costing.

Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. When actual production exceeds normal operating capacity, fixed overheads should be amortized by the actual operating capacity. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

(7) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary. Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent's company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent's company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(8) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Original costs shall include the purchase price, any costs incurred directly attributable to bringing the asset to the site and working condition for its intended use and borrowing costs eligible for capitalization under IAS 23 requirements. If eligible for recovering, estimated cost of dismantling and removing the asset and restoring the site in the future shall be included into the original costs.

The carrying amount of an item of property, plant, and equipment will include the cost of replacing the part of such an item when the cost is incurred if the recognition criteria (future benefits and measurement reliability) are met. The carrying amount of those parts that are replaced shall be derecognized. Repairs and maintenance costs are expensed through profit and loss.

Depreciation shall be recognized when the assets are available for their intended use and so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method mainly over the estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(9) Leases

A. Identify a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Company allocates the consideration in the contract to individual lease components on the basis of respective individual prices.

B. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. In addition, the Company performs periodic impairment tests on the right-of-use assets and recognizes any impairment losses incurred. The right-of-use assets are adjusted accordingly in case of remeasurement of lease liabilities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-

term leases of office and transportation equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Asset under financing lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment in the leased asset. Interest income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable. The expenditures made under an operating lease are recognized as lease revenue on a straight-line basis over the term of the lease.

(10) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis.

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each year, with the effect of any changes in the estimates accounted for on a prospective basis.

(11) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible (including property, plant and equipment) and intangible assets for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of a corporate asset, the asset is tested for impairment in the context of the cash-generating unit (CGU) to which the asset belongs. If a portion of the carrying amount of the asset can be allocated on a reasonable and consistent basis to the CGU, the Company compares the carrying amount of the CGU, including the portion of the asset's carrying amount allocated to the CGU, with the recoverable amount of the CGU to which the asset belongs. If this reasonable and consistent basis of allocation cannot be applied to the CGU to which the asset belongs and can be applied instead to the smallest group of CGUs to which the CGU belongs, this smallest group is used for impairment testing.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(12) Provision

If the consolidated company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision for the liability is recognized.

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle the obligation where the time value of money is material. Moreover, possible gains on sale of assets should be ignored measuring a provision.

(13) Employee benefits

A. Short-term employee benefits

The undiscounted amount of the benefits expected to be paid and recognized as an expense in respect of service rendered by employees in an accounting period is recognized in that period, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations. Defined benefit costs under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Net defined benefit liability represents the present value of define benefit plan less the fair value of plan assets.

(14) Financial instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are initially recognized at fair values through profit or loss, in other comprehensive income, measured at amortized cost, notes and account receivables or other accounts receivables in accordance with IFRS 9 and the Regulations. All regular way purchases or sales of financial assets and liabilities are recognized on a settlement date basis.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

A. Category of financial assets and measurement

a. Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other

comprehensive income are measured at FVTPL, including derivative financial assets. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

b. Fair value through other comprehensive income (FVTOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, they will be transferred to retained earnings.

Debt instrument investments that meet two of the following conditions should be recognized as FVTOCI:

- (a) Holds the financial assets within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

c. Financial assets measured at amortized cost – current, meaning all of the following conditions are met:

- (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Any gain or loss on derecognition is recognized in profit or loss.

d. Notes and accounts receivables, other receivables

Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services, other accounts receivables are not included.

Notes and accounts receivables, other receivables should be recognized at fair values originally and subsequently measured at amortized cost using effective interest method, less any impairment, except for those receivables with immaterial discounted effect.

B. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- a. The contractual rights to receive the cash flows from the financial asset expire.
- b. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- c. If the Company neither transfers nor retain substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On partial derecognition of a financial asset, the relative fair value of the partial derecognized financial assets at the transfer date is used to apportion the original book value of the financial assets on a pro-rata basis, to the portion of continual recognition resulted from continual participation and of derecognition. The difference between the carrying amount apportioned to the portion of the derecognized and the sum of the consideration received or receivable from the derecognized and any cumulative gain or loss that had been recognized in other comprehensive income apportioned to the derecognized is recognized as profit or loss under non-operating income and expenses. Any cumulative gain or loss that had been recognized in other comprehensive income is apportioned to the portion of continual recognition and recognition on a pro-rata basis of their fair value or retained earnings.

C. Impairment policy

a. Notes and accounts receivables, other receivables, and contract assets

Loss allowance for notes and accounts receivables, other receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. For the receivable past due over 60 days, the Company determines whether impairment exists by individually assessing customer's operating situation and debt-paying ability. For receivable past due within 60 days, including not past due, the Company measures the loss allowance with impairment occurred in receivable and contract assets for the past year along with available material information for expected losses to make reasonable assessment for impairment of receivable and contract assets. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized through profit or loss. The reversal shall not result in a carrying amount of receivables and contract assets that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

b. Other financial assets

The Company measures, at each reporting date, the loss allowance for debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost by assessing reasonable and supportable information including forward-looking information. For the credit risk on a financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For the credit risk on a financial asset has increased significantly since the initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

Financial liabilities

A. Classification and subsequent measurement

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

a. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value

through profit or loss. Gains or losses on the subsequent measurement including interest paid are recognized in profit or loss.

b. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

B. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(15) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Share-based payment arrangement

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in equity- share-based payment and should be recognized as expenses if employees vested on the grant date.

(17) Revenue Recognition

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- A. Identify the contract with the customer;
- B. Identify the performance obligation in the contract;
- C. Determine the transaction price;
- D. Allocate the transaction price to the performance obligations in the contract; and
- E. Recognize revenue when the entity satisfies a performance obligation.

The main contract revenue with the customer is from the sales of coating, resin, hardener, TPU and finished goods of footings, the Company recognize revenue when satisfies a performance obligation. Sales revenue is recognized based on contract price, net of sales returns, volume discounts and estimated sales discounts. Sales discounts and allowances are estimated and provided for based on customer contracts, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Company recognize sales returns and discounts of coating, resin, hardener, TPU and finished goods of footings as a negative of the revenue and liabilities which based on estimates of feedbacks from customers, historic experience and other reasons.

For most of the contracts, when the Company transfers the goods to customers and has a right

to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The period between the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Company has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. For part of the contracts where consideration is claimed upon signing the contract, then the Company has the obligation to provide the goods or the services subsequently and contract liabilities should be recognized. the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet the criteria, which is the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and the costs are expected to be recovered, the Company recognizes these as revenue and expenses when incurred.

Interest income

The interest income generated from the financial assets measured at amortized cost, FVTPL and FVOCI using effective interest method and should be recognized as profit or loss.

Dividend income

Dividend income is recognized in profit or loss on the date which the Company's right to receive payment is established.

(18) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Current tax for current and prior periods is, to the extent that it is unpaid, recognized as a liability, and as an asset to the extent that the amounts already paid exceed the amount due.

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates or laws that have been enacted or substantively enacted by the balance sheet date.

The additional income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the stockholders' meeting.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for purchase of machinery equipment, research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the book values of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Significant accounting Judgments, Assumptions, and the major sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The company will take into account the recent development of the COVID-19 pandemic in our country and its potential impact on the economic environment when estimating relevant significant accounting estimates such as cash flows, growth rates, discount rates, and profitability. The management will continue to review the estimates and underlying assumptions and evaluate that they do not cause significant effects or changes to the merger company's significant accounting estimates. If the estimate revision only affects the current year, it will be recognized in the accounting estimate revision for that year. If the accounting estimate revision affects both the current year and future periods, it will be recognized in the accounting estimate revision for both the current year and future periods.

The Company estimates the net realizable value of inventory for normal waste, obsolescence, and unmarketable items at the end of reporting period and the writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon.

(1) Loss allowance of accounts receivables

The Company has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and expected credit loss rate. The Company has considered historical experience, current economic conditions, and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments.

The Company recognized impairments of accounts receivables amounted to \$32 thousand and \$1,100 thousand as of December 31, 2023 and 2022, respectively.

(2) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Company uses estimate to determine the net realizable value of inventory at the end of each reporting period. The Company estimates the net realizable value of inventory for normal waste, obsolescence, and unmarketable items at the end of reporting period and the writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon.

As of December 31, 2023 and 2022, the carrying amount of allowance for inventory write-down amounted to \$43,705 thousand and \$27,192 thousand, respectively.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash	\$ 245	\$ 283
Checking accounts and demand deposits	101,417	75,655
	<u>\$,101,662</u>	<u>\$,75,938</u>

The details of the interest rate for bank deposits were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Demand deposits (%)	0.001~1.45	0.001~0.55

(2) Financial assets at amortized costs – current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged time deposits	\$ 3,900	\$ 900
Interests rate (%)	0.530~0.580	0.405

The details of loss allowance of financial assets at amortized costs – current were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total of carrying amount	\$ 3,900	\$ 900
Loss allowance	-	-
Financial assets at amortized costs	<u>\$ 3,900</u>	<u>\$ 900</u>

The Company's financial assets at amortized costs – current comprised custom duty deposits, bank loans with a specific purpose and bank deposits with originally due over three months and within one year which cannot be transferred to other category.

The Company's financial assets at amortized costs were pledged as collateral; please refer to note 8.

(3) Accounts and notes receivables, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivables		
From operating activities	\$ 62,198	\$ 83,065
Not from operating activities	-	35
	<u>\$ 62,198</u>	<u>\$ 83,100</u>
Notes receivables from related parties	\$ 6,412	\$ 7,666
Accounts receivables	\$ 281,227	\$ 329,243
Less: loss allowance	(6,182)	(32)
	<u>\$ 275,045</u>	<u>\$ 329,211</u>
Accounts receivables from related parties	\$ 22,763	\$ 11,256

The credit term on sales to the customers is 30 to 120 days.

The Company applies the simplified approach to provide for its loss allowance used for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes and accounts receivable. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience shows that there is no significant difference in the loss patterns of different customer groups, it does not further differentiate the customer groups for the provision matrix and only sets the expected credit loss based on the number of days past due for notes and accounts receivable.

The abovementioned notes receivables which were not from operating were compensation payments by installments for the equipment was recognized as notes receivables and long-term accounts receivables of other noncurrent liabilities, respectively.

Details of allowance of accounts receivables were as follows:

December 31, 2023

	Current	Overdue 1-60 days	Overdue More than 61 days	Total
Total carrying amount	\$ 366,653	\$ 154	\$ 5,793	\$ 372,600
Provision for loss allowance	(360)	(29)	(5,793)	(6,182)
Cost after amortization	\$ 366,293	\$ 125	\$ -	\$ 366,418

The Company's abovementioned expected credit loss rates were as follows, current rates were 0.120%, rates of due over 1 to 60 days were 17.210% to 41.051% and rates of due over 61 days were 65.892% to 100%.

December 31, 2022

	Current	Overdue 1-60 days	Overdue more than 61 days	Total
Total carrying amount	\$ 431,228	\$ 37	\$ -	\$ 431,265
Provision for loss allowance	(30)	(2)	-	(32)
Cost after amortization	\$ 431,198	\$ 35	\$ -	\$ 431,233

The Company's abovementioned expected credit loss rates were as follows, current rates were 0.009%, rates of due over 1 to 60 days were 4.973% to 8.333% and rates of due over 61 days were 16.739% to 100%.

Information of changes in impairments of notes and accounts receivables were as follows:

	2023	2022
Balance on January 1	\$ 32	\$ 1,100
Add: Impairment loss for the current period, net	6.150	-
Less: Reversal on impairment loss for the current period, net	-	(1,068)
Balance on December 31	\$ 6,182	\$ 32

(4) Inventories

	December 31, 2023	December 31, 2022
Merchandises	\$ 3,820	\$ 6,065
Finished goods	107,332	140,936
Semi-finished goods	7,459	14,288

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Work in process	9,127	12,206
Raw materials	89,023	98,652
Merchandises	16,856	30,049
	<u>\$ 233,617</u>	<u>\$ 302,196</u>

The operating costs relating to inventories amounted to \$1,309,322 thousand and \$1,669,377 thousand for the year ended in 2023 and 2022, respectively.

The information of write-down of inventories to net realizable value and reversal of write-down of inventories resulting from the increase in net realizable value which were included in the cost of revenue:

	<u>2023</u>	<u>2022</u>
Reversal of inventory obsolescence for the period (gains)	\$ 16,513	\$ (4,672)

(5) Financial assets at fair value through profit or loss, non-current

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Ownership %</u>	<u>Amount</u>	<u>Ownership %</u>
Financial assets at fair value through profit or loss, non-current				
Stock:				
Nanyang Cooperatives for common labors	\$ 20	0.42	\$ 20	0.42
Loyal Splendor Int'l Ltd. (Seychelles)	10,678	18.00	14,306	18.00
Grand And Great Corporation Limited (Samoa)	27,754	3.33	24,843	4.44
Total	<u>\$ 38,452</u>		<u>\$ 39,169</u>	

The Company's financial assets at fair value through profit or loss were not pledged as collateral.

For the purpose of expanding oversea market of TPU, the Company set up a joint venture (Loyal Splendor Int 'L Ltd. (Seychelles)) with others. This decision was approved in 2017, with the intention of setting up another new company. Loyal Splendor Int 'L Ltd. made a capital injection of USD 500,000 on October 20, 2022. The Company subscribed according to its shareholding ratio. As of December 31, 2018, the Company had paid a total of USD 540,000 in investment funds.

The Company and its subsidiary, Shuang Bang Industrial Corp. (BVI) conducted a short form merger (note 6(6)), whereby the investment company, Grand and Great Corporation Limited, previously held by Shuang Bang Industrial Corp. (BVI), is now held by the Company. Grand and Great Corporation Limited resolved to make a capital injection of USD 10.5 million on August 19, 2022, with the reference date for the capital injection being January 04, 2023. The Company did not subscribe according to its shareholding ratio. Resulting in a decrease in its shareholding percentage from 4.44% to 3.33%. As of December 31, 2022, the Company had paid a total of USD 1.4 million in investment funds.

The information of net loss(profit) on financial assets at fair value through profit or loss for the years ended 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Loyal Splendor Int'l Ltd. (Seychelles)	\$ (3,628)	\$ 590
Grand And Great Corporation Limited (Samoa)	2,911	(18,667)
	<u>\$ (717)</u>	<u>\$ (18,077)</u>

(6) Investments accounted for using equity method

Investees	December 31, 2023		December 31, 2022	
	Amount	Ownership%	Amount	Ownership%
Miracle Textile Industry Co., Ltd.	\$ 13,404	44.50	\$ 21,124	44.50
Shoetex Corporation	36,062	68.87	31,796	62.47
	<u>\$ 49,466</u>		<u>\$ 52,920</u>	

For the purposes of decreasing operating costs and strengthen the business performance and competitiveness, the Company had a short form merger with the Company's subsidiary, Shuang Bang Industrial Corp. (BVI) on November 10, 2022, approved by the board of directors. The effective date was set to be on November 30, 2022. The Company would be the surviving company and Shuang Bang Industrial will be the dissolved company after the merge. The process had been registered in MOEX on February 23, 2023. As of November 30, 2022, the financial information of Shuang Bang Industrial Corp. (BVI) was as follows:

A. The main components of balance sheets:

	November 30, 2022
Assets	
Current assets	\$ 8
Noncurrent assets	43,510
Total	<u>43,518</u>
Liabilities	
Current liabilities	-
Noncurrent liabilities	-
Total	<u>-</u>
Net assets	<u>\$ 43,518</u>

B. The main components of income statement:

	November 30, 2022
Operating revenue	\$ -
Operating costs	-
Operating expenses	(37)
Non-operating revenue and expenses	-
Tax expenses	-
Loss after tax	<u>\$ (37)</u>

The Company's subsidiary Miracle Textile Industry Co., Ltd. increased its capital by cash by the approval of the board of directors on January 10, 2017 and set January 17, 2017 as effective base date and had been registered on MOEX on February 3, 2017. Due to non-proportional investment in an investee's capital increase, the percentage of ownership decreased from 55.92% to 44.50%.

The Company's subsidiary Shoetex Corporation increased its capital in cash by the approval of the board of directors on March 13, 2023, and set March 21, 2017 as effective base date and had been registered on MOEX on March 7, 2023. Due to non-proportional investment in an investee's capital increase, the percentage of ownership increased from 62.47% to 68.87%.

The shares of profits or losses and other comprehensive income of associates accounted for using the equity method between January 1 and December 31, 2023 and 2022 were recognized based on the financial statements audited by certified public accountants during the same period of associates were as follows:

	2023	2022
Miracle Textile Industry Co., Ltd.	\$ (7,735)	\$ (1,843)
Shoetex Corporation	(21,072)	(7,810)
	<u>\$ (28,807)</u>	<u>\$ (9,653)</u>

(7) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner occupation	\$ 1,367,816	\$ 1,239,484
Operating leases	23,469	20,050
	<u>\$ 1,391,285</u>	<u>\$ 1,259,534</u>

A. Owner occupation

Carrying amount	December 31, 2023	December 31, 2022
Land	\$ 645,954	\$ 645,954
Buildings, net	446,185	228,965
Machinery equipment, net	196,022	108,134
Testing equipment, net	5,796	5,423
Pollution control equipment, net	26,773	28,580
Transportation	6,149	862
Office equipment	76	167
Other equipment	39,956	33,906
Construction in progress and inspection equipment	905	187,493
	<u>\$ 1,367,816</u>	<u>\$ 1,239,484</u>

Cost	January 1, 2023	Additions	Disposals	Prepaid	Reclassification	December 31, 2023
Land	\$ 645,954	\$ -	\$ -	\$ -	\$ -	\$ 645,954
Buildings	336,906	3,357	(9,762)	20,252	207,248	558,001
Equipment	286,870	5,587	(61,918)	114,584	-	345,123
Testing equipment	13,116	210	(1,422)	2,221	-	14,125
Pollution control equipment	86,761	810	(6,549)	6,728	-	87,750
Transportation	10,829	-	-	6,025	-	16,854
Office equipment	758	-	(659)	-	-	99
Other	99,339	14,339	(16,749)	10,135	-	107,064
Construction in progress and inspection equipment	187,493	24,816	-	-	(211,404)	905
	<u>\$1,668,026</u>	<u>\$49,119</u>	<u>\$ (97,059)</u>	<u>\$ 159,945</u>	<u>\$ (4,156)</u>	<u>\$1,775,875</u>

Accumulated depreciation and impairment	January 1, 2023	Depreciation	Disposals	Prepaid	Reclassification	December 31, 2023
Buildings	\$ 107,941	\$ 13,808	\$ (9,762)	\$ -	\$ (171)	\$ 111,816
Machine equipment	178,736	32,283	(59,317)	(2,601)	-	149,101
Testing equipment	7,693	2,058	(1,422)	-	-	8,329
Pollution control equipment	58,181	9,346	(6,550)	-	-	60,977
Transportation	9,967	738	-	-	-	10,705
Office equipment	591	90	(658)	-	-	23
Other equipment	65,433	18,350	(16,675)	-	-	67,108
	<u>\$ 428,542</u>	<u>\$ 76,673</u>	<u>\$ (94,384)</u>	<u>\$ (2,601)</u>	<u>\$ (171)</u>	<u>\$ 408,059</u>

Cost	January 1, 2022	Additions	Disposals	Prepaid	Reclassifica tion	December 31, 2022
Land	\$ 645,954	\$ -	\$ -	\$ -	\$ -	\$ 645,954
Buildings	354,377	925	(5,751)	8,456	(21,101)	336,906
Equipment	311,533	7,299	(60,290)	28,328	-	286,870
Testing equipment	11,756	105	(239)	1,494	-	13,116
Pollution control equipment	86,303	947	(4,483)	3,994	-	86,761
Transportation	10,829	-	-	-	-	10,829
Office equipment	658	100	-	-	-	758
Other	93,406	10,084	(9,542)	5,391	-	99,339
Construction in progress and inspection equipment	49,834	137,659	-	-	-	187,493
	<u>\$1,564,650</u>	<u>\$157,119</u>	<u>\$ (80,305)</u>	<u>\$ 47,663</u>	<u>\$ (21,101)</u>	<u>\$1,668,026</u>

Accumulated depreciation and impairment	January 1, 2022	Depreciation	Disposals	Prepaid	Reclassificat ion	December 31, 2022
Buildings	\$ 103,925	\$ 10,402	\$ (5,752)	\$ -	\$ (634)	\$ 107,941
Machine equipment	208,843	30,085	(59,716)	(476)	-	178,736
Testing equipment	6,200	1,732	(239)	-	-	7,693
Pollution control equipment	53,542	9,121	(4,482)	-	-	58,181
Transportation	9,229	738	-	-	-	9,967
Office equipment	411	180	-	-	-	591
Other	58,772	16,202	(9,541)	-	-	65,433
	<u>\$ 440,922</u>	<u>\$ 68,460</u>	<u>\$ (79,730)</u>	<u>\$ (476)</u>	<u>\$ (634)</u>	<u>\$ 428,542</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives	Item	Useful lives
Buildings	3 to 50 years	Transportation	3 to 5 years
Machine equipment	2 to 16 years	Office equipment	5 years
Testing equipment	5 to 10 years	Other equipment	2 to 25 years
Pollution control equipment	2 to 25 years		

B. Operating leases

Carrying amount	December 31, 2023	December 31, 2022
Buildings	<u>\$ 23,469</u>	<u>\$ 20,050</u>

Cost	January 1, 2023	Additions	Disposals	Prepaid	Reclassifica tion	December 31, 2023
Buildings	<u>\$ 21,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,156</u>	<u>\$ 25,257</u>

Accumulated Depreciation/Impairment	January 1, 2023	Depreciation	Disposals	Prepaid	Reclassifica tion	December 31, 2023
Buildings	<u>\$ 1,051</u>	<u>\$ 556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ 1,788</u>

Cost	January 1, 2022	Additions	Disposals	Prepaid	Reclassifica tion	December 31, 2023-00
Buildings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,101</u>	<u>\$ 21,101</u>

Accumulated Depreciation/Impairment	January 1, 2022	Depreciation	Disposals	Prepaid	Reclassifica tion	December 31, 2022
Buildings	\$ -	\$ 417	\$ -	\$ -	\$ 634	\$ 1,051

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives
Buildings	10 to 48 years

The Company's property, plant and equipment were pledged as collateral for bank loans and secured borrowings, please refer to note 8.

(8) Leases

Lessee

A. Right-of-use assets

Carrying amount	December 31, 2023	December 31, 2022
Buildings	\$ 2,200	\$ 875
Transportation	6,378	7,144
	<u>\$ 8,578</u>	<u>\$ 8,019</u>

	2023	2022
Additions of right-of-use assets	<u>\$ 5,008</u>	<u>\$ 3,736</u>
Depreciation of right-of-use assets		
Buildings	\$ 1,961	\$ 2,347
Transportation	2,434	2,544
	<u>\$ 4,395</u>	<u>\$ 4,891</u>

B. Lease liabilities

	December 31, 2023	December 31, 2022
Current	<u>\$ 6,340</u>	<u>\$ 4,396</u>
Noncurrent	<u>\$ 10,530</u>	<u>\$ 4,812</u>

The discount rates of lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Buildings (%)	1.250~1.926	1.250~1.644
Transportation (%)	0.967~4.248	0.967~4.248

C. Significant leasing activities and requirements

The underlying assets leased by the Company include land, houses and buildings, company cars and photocopiers. The periods of the lease contract vary from 1 to 5 years. The lease contract is negotiated individually and contains various terms and conditions.

D. Subleases

Subleases of right-off-use assets

The Company subleases some of the right-off-use assets of the buildings to Shoetex Corporation. The lease term will last for 2 years and can be prolonged.

The maturity analysis of lease payments as of December 31, 2023 and 2022 was as follows:

	December 31, 2023	December 31, 2022
Within 1 year	\$ 3,226	\$ 1,280
More than 1 year to 3 years	5,376	-

E. Profit and loss items associated with lease contracts are as follows:

	2023	2022
Items that affect profit or loss		
Interest expense on lease liabilities	\$ 184	\$ 129
Rent expenses on short-term lease	3,344	7,668
	<u>\$ 3,528</u>	<u>\$ 7,797</u>

F. The Company's total lease cash outflows from January 1 to December 31, 2023, and 2022 were NT\$6,880 thousand and NT\$6,943 thousand, respectively.

Lessor

A. Rental agreements

Objective	Lease period	Monthly rental revenue and method	Guarantee Deposits
Buildings (plant)	2020/09/01~2023/08/31	Monthly rental fees \$50 thousand, terminated the contract prematurely on January 9, 2023.	-
Buildings (dormitory)	2021/06/01~2024/06/01	Monthly rental fees \$14 thousand.	-
Buildings (plant)	2021/07/01~2027/06/30	Monthly rental fees \$149 thousand.	\$448 thousand
Buildings (warehouse)	2022/02/26~2027/05/16	Actual amount of the rental fees, according to number of buckets and weight.	-
Buildings (plant)	2022/05/01~2025/04/30	First year, monthly rental fees \$140 thousand. Starting from the second year, monthly rental fees \$147 thousand.	\$294 thousand
Buildings (warehouse)	2022/07/01~2023/06/30	Actual amount of the rental fees, according to number of buckets and weight.	-
Buildings (plant)	2022/08/31~2025/4/30	Monthly rental fees \$6 thousand. Starting from July 2023, monthly rental fees \$8 thousand.	-
Buildings (plant)	2023/01/01~2027/06/30	Monthly rental fees \$55 thousand.	\$166 thousand
Buildings (plant)	2023/02/01~2024/01/31	Monthly rental fees \$13 thousand.	\$13 thousand

A. The information of gains on operating lease rental contracts for the years ended in 2023 and 2022 were as follows:

	2023	2022
Rental revenue	\$ 4,655	\$ 4,194

B. non-cancellable operating lease contracts

	December 31, 2023	December 31, 2022
Within one year	\$ 4,404	\$ 4,178
More than 1 year to 3 years	5,532	6,114
Over 3 years	1,227	2,690

(9) Intangible assets

Carrying amounts	December 31, 2023	December 31, 2022
Computer software	\$ 2,866	\$ 4,542
Professional technology	167	1,041
	\$ 3,033	\$ 5,583

Costs	January 1, 2023	Additions	Disposals	December 31, 2023
Computer software	\$ 7,759	\$ 50	\$ (968)	\$ 6,841
Professional technology	6,803	—	(4,803)	2,000
	\$ 14,562	\$ 50	\$ (5,771)	\$ 8,841

Accumulated amortization and impairment	January 1, 2023	Amortization	Disposals	December 31, 2023
Computer software	\$ 3,217	\$ 1,726	\$ (968)	\$ 3,975
Professional technology	5,762	874	(4,803)	1,833
	\$ 8,979	\$ 2,600	\$ (5,771)	\$ 5,808

Costs	January 1, 2022	Additions	Disposals	December 31, 2022
Computer software	\$ 6,951	\$ 3,902	\$ (3,094)	\$ 7,759
Professional technology	7,755	—	(952)	6,803
	\$ 14,706	\$ 3,902	\$ (4,046)	\$ 14,562

Accumulated amortization and impairment	January 1, 2022	Amortization	Disposals	December 31, 2022
Computer software	\$ 4,219	\$ 2,092	\$ (3,094)	\$ 3,217
Professional technology	5,338	1,376	(952)	5,762
	\$ 9,557	\$ 3,468	\$ (4,046)	\$ 8,979

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Item	Useful lives	Item	Useful lives
Computer software	2 to 5 years	Professional technology	5 years

(10) Other noncurrent assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 121,372	\$ 114,626

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposits	1,502	3,597
Long-term notes receivables	1,109	1,596
Other	2,538	270
	<u>\$ 126,521</u>	<u>\$ 120,089</u>

The abovementioned long-term notes receivables were for the compensation payment with installments for the machine equipment, please refer to note 6(3) °.

(11) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured loans		
L/C loans	\$ 19,367	\$ 39,400
Unsecured loans		
Operating deposits	30,000	5,000
L/C loans	14,118	62,126
	<u>\$ 63,485</u>	<u>\$ 106,526</u>
Loan rate (%)	1.75~6.80	1.625~6.51
Due date	Before 2024/6/25	Before 2023/6/21

The abovementioned loans were all bank loans.

The Company's short-term loans were pledged as collateral, please refer to note 8.

(12) Notes and accounts payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Arising from operation:		
Notes payables	\$ 444	\$ 322
Accounts payables	167,651	173,809
Not arising from operation:		
Other notes payables	15,493	48,133

Other notes payables were mainly used for the purchase of equipment.

(13) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Third-party transaction		
Salary and bonus payables	\$ 24,538	\$ 46,015
Welfare payables	3,376	20,000
Insurance payables	1,173	3,430
Equipment payables	-	2,548
Directors' remuneration payables	-	8,500
Other accounts payables	28,000	51,944
	<u>\$ 57,087</u>	<u>\$,132,437</u>
Other accounts payables from related parties	<u>\$ 469</u>	<u>\$ 53</u>

(14) Provision

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Employees benefits	\$ 6,763	\$ 6,273
Returns and discounts	260	2,000
Sales rebates	-	2,255
	<u>\$ 7,023</u>	<u>\$ 10,528</u>

	<u>Employees benefits</u>	<u>Returns and discounts</u>	<u>Sales rebates</u>	<u>Total</u>
Balance on January 1, 2023	\$ 6,273	\$ 2,000	\$ 2,255	\$ 10,528
Provision for the period	6,752	260	-	7,012
Payments for the period	(17)	-	(2,255)	(2,272)
Write-off for the period	<u>(6,245)</u>	<u>(2,000)</u>	<u>-</u>	<u>(8,245)</u>
Balance on December 31, 2023	<u>\$ 6,763</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 7,023</u>

	<u>Employees benefits</u>	<u>Returns and discounts</u>	<u>Sales rebates</u>	<u>Total</u>
Balance on January 1, 2022	\$ 6,309	\$ 2,000	\$ -	\$ 8,309
Provision for the period	6,255	-	2,255	8,510
Payments for the period	(61)	-	-	(61)
Write-off for the period	<u>(6,230)</u>	<u>-</u>	<u>-</u>	<u>(6,230)</u>
Balance on December 31, 2022	<u>\$ 6,273</u>	<u>\$ 2,000</u>	<u>\$ 2,255</u>	<u>\$ 10,528</u>

The Company's provision was for benefits of accumulated paid time off as of the balance sheet date, probable sales returns of the products and the sales rebates. Provision for warranty and after service cost was estimated based on the historical information, management judgements and other known factors.

(15) Other current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities	\$ 2,727	\$ 1,218
Temporary receipts	251	167
Receipts under custody	881	800
Deferred revenue – current	682	682
	<u>\$ 4,541</u>	<u>\$ 2,867</u>

(16) Long-term loans

<u>Category</u>	<u>Due year</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Secured borrowings	2024	\$ -	\$ 80,000
Secured borrowings	2025	-	46,500
Secured borrowings	2028	220,834	
Secured borrowings	2034	273,237	299,468
Unsecured borrowings	2038	292,759	-
Unsecured borrowings	2025	-	56,834
		<u>\$ 786,830</u>	<u>\$ 482,802</u>

Current portion of long-term loans payable	\$ 96,306	\$ 66,231
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Category	Due year	December 31, 2023	December 31, 2022
Non-current		690,524	416,158
		\$ 786,830	\$ 482,802
Interest rate of loans (%)		1.80~ 1.98	1.675~1.95

Some of the abovementioned loans had been paid in advance.

The abovementioned loans are bank loans and used in floating rate borrowings, please refer to note 6(24).

The Company's pledged and mortgaged assets used as collateral for long term loans, please refer to note 8.

(17) Government grants

The Company purchased pollution control equipment in 2018 and had applied for exemption in the local government in accordance with the laws. The application had been reviewed and approved by the Bureau of Energy, Ministry of Economic Affairs and obtained \$5,000 thousand of the exemption. As of December 31, 2022, the government grant was recognized under other liabilities, current and long-term deferred revenue and will be transferred to other revenue in accordance the useful lives of the equipment.

The Company had applied for Industrial Upgrading Innovation Platform Guidance Program by the Ministry of Economic Affairs and had been reviewed and approved. As of December 31, 2023, the Company obtained the government grants amounted to \$14,595 thousand and recognized under other revenue.

(18) Post-employment benefits plans

A. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Company have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized as expenses under parent-company comprehensive income statement of \$8,020 thousand and \$7,838 thousand. As of December 31, 2023 and 2022, the unpaid amount of define benefits plans amounted to \$2,043 thousand and \$1,938 thousand, respectively.

B. Defined benefit plans

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. According to the law, two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company contributes an amount equal to 5% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

The net defined benefit obligation is currently calculated on the December 31, 2023, by independent actuary, Chen, Wen-Hsien, using the projected unit credit method.

The Company recognized pension expenses by using calculated pension expenses for the year

ended 2023 and 2022.

- a. The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ (43,317)	\$ (44,907)
Fair value of plan assets	21,586	25,448
Net defined benefit liabilities	<u>\$ (21,731)</u>	<u>\$ (19,459)</u>

- b. Movements in net defined benefit liabilities

Movements in net defined benefit liabilities were as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1, 2023	\$ 44,907	\$ 55,683
Benefit paid	(4,828)	-
Current service costs and interests	673	540
Loss (gain) on defined benefit obligation, experience adjustments	2,153	(8,639)
- changes in financial assumptions	412	(2,677)
Balance on December 31, 2023	<u>\$ 43,317</u>	<u>\$ 44,907</u>

- c. Movements in planned assets at fair value

Movements in net defined benefit assets were as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 25,448	\$ 22,903
Benefit paid	449	482
Paid benefit	(4,828)	-
Interest revenue from plan assets	329	162
Experience gains from plan assets	188	1,901
Balance on December 31	<u>\$ 21,586</u>	<u>\$ 25,448</u>

- d. Expenses through profit or loss

Expenses through profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Current service cost	\$ 100	\$ 153
Net interests from net defined benefit liabilities	224	224
	<u>\$ 344</u>	<u>\$ 377</u>

An analysis of employee benefits expense by function:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ 222	\$ 243
Selling expenses	22	24
General and administrative expenses	90	99
Research and development expenses	10	11
	<u>\$ 344</u>	<u>\$ 377</u>

- e. Remeasurement of defined benefit obligation (assets) as other comprehensive were

as follows:

	<u>2023</u>	<u>2022</u>
Loss (gain) on defined benefit obligation, experience adjustments	\$ 2,153	\$ (8,639)
- changes in financial assumptions	412	(2,677)
Gains (loss) on experience from plan assets	(188)	(1,901)
Remeasurement of defined benefit obligation, net	<u>\$ 2,377</u>	<u>\$ (13,217)</u>

- f. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.20%	1.30%
Expected rate of salary increase	3.50%	3.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	<u>\$ (1,020)</u>	<u>\$ (1,052)</u>
0.25% decrease	<u>\$ 1,056</u>	<u>\$ 1,089</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 1,029</u>	<u>\$ 1,062</u>
0.25% decrease	<u>\$ (1,000)</u>	<u>\$ (1,032)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plan for the next year	<u>\$ 1,321</u>	<u>\$ 1,349</u>
Average duration of the defined benefit obligation	9 years	9 years

C. Short-term employees benefit plant

The Company recognized paid time off leaves expenses of \$6,255 thousand and \$5,527 thousand for the year ended in 2023 and 2022, respectively.

(19) Equity

A. Common stocks

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount of shares authorized (\$10 per share)	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Amount of shares issued	<u>\$ 823,608</u>	<u>\$ 823,608</u>
Numbers of shares authorized (in thousands of shares)	120,000	120,000
Numbers of shares issued (in thousands of shares)	82,361	82,361

Each share has the same voting rights equal to the number of Directors to be elected and dividends receives.

B. Capital surplus

	December 31, 2023	December 31, 2022
Capital surplus	\$ 983	\$ 983
Employee share options	9,506	9,506
Expired dividends	68	63
	<u>\$ 10,557</u>	<u>\$ 10,552</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the converted convertible bonds) may be used to offset deficits; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Company's paid-in capital on a yearly basis).

The capital surplus arising from employee share options may not be used for any purpose. The capital surplus arising from expired dividends may not be used for any purpose, except for offsetting a deficit.

The Company's reconciliation of outstanding common stocks and capital surplus were as follows:

	Capital		Capital surplus		
	Shares (in thousand)	Amount	Share premiums	Employee share options	Expired dividends
Balance on January 1, 2023	82,361	\$ 823,608	\$ 983	\$ 9,506	\$ 63
Others	-	-	-	-	5
Balance on December 31, 2023	<u>82,361</u>	<u>\$ 823,608</u>	<u>\$ 983</u>	<u>\$ 9,506</u>	<u>\$ 68</u>
Balance on January 1, 2022	82,361	\$ 823,608	\$ 42,163	\$ 9,506	\$ 49
Cash dividends from capital surplus	-	-	(41,180)	-	-
Others	-	-	-	-	14
Balance on December 31, 2022	<u>82,361</u>	<u>\$ 823,608</u>	<u>\$ 983</u>	<u>\$ 9,506</u>	<u>\$ 63</u>

C. Appropriation of earnings and dividend policy

According to the Company Act, A company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

When allocating the profits for each fiscal year, the following order shall be followed:

- a. pay all taxes and dues.
- b. offset accumulated deficits.
- c. set aside 10 percent of earning as legal reserve
- d. set aside special capital reserve in accordance with relevant laws or regulations.

The remaining balance after the mentioned above payment to be made, combining

with the undistributed earnings of the proceeding years may be retained or distributed as shareholders' dividends after the approval of the shareholders' meeting.

Since the Company is in a highly developing industry, the Company has to adapt its dividend policy to meet the Company's long-term development and capital requirement, along with the shareholders' demand of cash. Therefore, the Company is allowed to distribute no more than 90% of the amount of the profits of the fiscal year. The Board of Directors shall submit a distribution proposal for approval at the shareholder's meeting. Distribution of profits may be made by way of a cash dividend or stock dividend; provided, however, the ratio for cash dividend shall be not less than 10% of total distribution.

On March 17, 2023, the appropriation of cash dividends in 2022 and on March 18, 2022, the appropriation of cash dividends in 2021, which were resolved in the meeting of the Company's board of directors, and as for the other appropriation of earnings, which were resolved in the meeting of shareholders on June 20, 2023 and June 9, 2022, respectively were as follows:

Items	Appropriation of earnings		Dividends per share (NTD)	
	2022	2021	2022	2021
Legal reserve	\$ 27,431	\$ 7,481	\$ -	\$ -
Special capital reserve	-	2,706	-	-
Cash dividends	98,833	123,541	1.2	1.5
	<u>\$ 126,264</u>	<u>\$ 133,728</u>		

The appropriations of cash dividends have been approved by the Company's board of directors on March 18, 2022. The appropriations and cash dividends per share were \$0.5 per share with total of \$41,180 thousand.

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on March 12, 2024, were as follows:

Items	Appropriation of earnings	Dividends per share (NTD)
	2023	2023
Cash dividends	<u>\$ 32,944</u>	<u>\$ 0.4</u>

The appropriation of earnings in 2023 is subject to the resolution of the shareholders in their meetings on May 31, 2024.

(20) Sales revenue

	2023	2022
Revenue from contracts with customers		
Sales revenue	\$ 1,445,718	\$ 1,972,612
Service revenue	28,601	8,826
	<u>\$ 1,474,319</u>	<u>\$ 1,981,438</u>
<u>Balance of the contracts</u>		
	December 31, 2023	December 31, 2022
Notes receivables, net (including related parties)	<u>\$ 68,610</u>	<u>\$ 90,731</u>
Accounts receivables, net (including related parties)	<u>\$ 297,808</u>	<u>\$ 326,714</u>
Contract liabilities—current (Recognized as other current liabilities)	<u>\$ 2,727</u>	<u>\$ 1,185</u>
		<u>\$ 8,613</u>

Changes arising from the contract liabilities were mainly because of the differences of fulfillment of the obligation and payment received from the customers.

The sales revenue on contract liabilities were as follows:

	2023	2022
Sales revenue of goods	\$ 1,104	\$ 8,428
(21) Net income		

The Company's net income included the following items:

A. Other revenue

	2023	2022
Government grant	\$ 15,515	\$ -
Rental revenue	4,655	4,194
Dividend income	-	-
Other income	3,273	3,577
	\$ 23,443	\$ 7,771

B. Other profit and loss

	2023	2022
Gains (loss) on disposal of plant, property and equipment	\$ 4,425	\$ 190,010
Lease modification loss	(17)	-
Gains on foreign exchange	1,829	13,127
Net loss(profit) on financial assets at fair value through profit or loss	(717)	(18,077)
Reversal of impairment loss recognized in profit or loss	2,601	476
	\$ 8,121	\$ 185,536

C. Depreciation and amortization

	2023	2022
Depreciation of plant, property and equipment	\$ 77,239	\$ 68,877
Depreciation of right-of-use assets	4,395	4,891
Amortization of intangible assets	2,600	3,468
	\$ 84,234	\$ 77,236

Depreciation expenses were summarized by functions:

Operating costs	\$ 71,847	\$ 64,356
Operating expenses	9,787	9,412

Amortization expenses were summarized by functions

Operating costs	877	938
Operating expenses	1,723	2,530

	\$ 84,234	\$ 77,236
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D. Financial cost

	2023	2022
Bank loans	\$ 10,393	\$ 6,498
Interests from lease liabilities	184	129
Handling fees	272	178
	\$ 10,849	\$ 6,805
Amount of capitalized borrowing costs	\$ 4,028	\$ 2,660
Rate of capitalized borrowing costs (%)	1.284~1.932	1.284~1.656

E. Gains (loss) on foreign exchange

	2023	2022
Total of gains on foreign exchange	\$ 12,404	\$ 27,039
Total of loss on foreign exchange	(10,575)	(13,912)
Total of gains (loss) on foreign exchange	<u>\$ 1,829</u>	<u>\$ 13,127</u>

F. Employees' compensation and remuneration of directors

According to the Company's Articles of Incorporation, the Company shall allocate compensation to directors and profit-sharing bonus to employees of the Company as follows:

If there is any profit for the current fiscal year, the Company shall allocate 5% to 10% of the profit as employees' compensation and shall allocate at a maximum of 3% of the profit as remuneration to directors, provided that the Company's accumulated losses shall have been covered in advance.

The aforementioned income was calculated using the Company's net income before income taxes without the remunerations to employees and directors for each period. The employee remuneration will be distributed in cash or in the form of shares to the employees of the controlling companies and subsidiaries who meet certain criteria.

The distributable dividends and bonus in whole or in part or the legal reserve and capital reserved in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company estimated the employees' compensation and directors' remuneration were as follows:

Percentage of estimate

	2023	2022
Employees' compensation	-	6.42%
Directors' remuneration	-	2.73%

Amount

	2023	2022
Employees' compensation	\$ -	\$ 20,000
Directors' remuneration	<u>\$ -</u>	<u>\$ 8,500</u>

The estimated amount of employees' compensation and directors' remuneration were recognized as an operating cost or operating expense. If there is a change in the proposed amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

If the board of directors decided to pay the employee remuneration in the form of company shares, the number of dividend shares is determined by dividing the amount of the dividend by the fair value of the share. The fair value of the share is based on the closing price of the day before the resolution date of the shareholders' meeting.

The 2022 and 2021 employee's compensation and director's and supervisor's remuneration were respectively resolved in the board meeting on March 17, 2023 and March 18, 2022 as follows:

	2023	2022
Employees' compensation	\$ 20,000	\$ 5,762
Directors' remuneration	<u>\$ 8,500</u>	<u>\$ 2,470</u>

There is no difference between the 2022 and 2021 employee's compensation and director's and supervisor's remuneration and the Company's 2022 and 2021 recognized fee estimates.

The information about appropriations of the Company's employees' compensation and remuneration to directors is available on the Market Observation Post System website.

(22) Income tax

A. Income tax expense recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
Current year	\$ 1,996	\$ 25,470
Positive difference between the basic tax amount and the regular income tax amount	3,772	-
Adjustments for prior year	(5,054)	(3,852)
Deferred tax		
Current year	(3,947)	(2,405)
Income tax expense recognized in profit or loss	<u>\$ (3,233)</u>	<u>\$ 19,213</u>

A reconciliation of accounting profit and income tax expense was as follows:

	<u>2023</u>	<u>2022</u>
Profit before tax from continuing operations	\$ (2,597)	\$ 282,952
Income tax expense calculated at the statutory rate	(519)	56,590
Effect of adjustments to income tax		
Non-deductible expenses in determining taxable income	52	111
Temporary difference	9,708	4,205
Deferred tax	(3,947)	(2,405)
Positive difference between the basic tax amount and the regular income tax amount	3,772	-
Investment deduction	(7,716)	-
Gains on sale of the land	-	(35,820)
Other	471	384
Adjustments for prior year	(5,054)	(3,852)
Income tax expense recognized in profit or loss	<u>\$ (3,233)</u>	<u>\$ 19,213</u>

B. Recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit plans	\$ 475	\$ (2,643)

C. Deferred tax

The Company's movements of deferred tax assets and liabilities for the years ended in 2023 and 2022 were as follows:

	<u>January 1, 2023</u>	<u>Recognized as profit or loss</u>	<u>Recognized as OCI</u>	<u>December 31, 2023</u>
Deferred tax assets				
Temporary difference				
Defined benefit plans	\$ 5,630	\$ (21)	\$ -	\$ 5,609
Inventory	5,838	2,955	-	8,793
Accounts receivables	2,972	694	-	3,666
Financial assets at fair value through profit or loss	4,344	144	-	4,488
Provision	1,698	(345)	-	1,353
Plant, property and	374	(55)	-	319

	January 1, 2023	Recognized as profit or loss	Recognized as OCI	December 31, 2023
equipment				
Other payables	1,164	(174)	-	990
Deferred tax assets	1,038	842	-	1,880
	<u>\$ 23,058</u>	<u>\$ 4,040</u>	<u>\$ -</u>	<u>\$ 27,098</u>
Deferred tax liabilities				
Temporary difference				
Defined benefit plans	\$ 1,738	\$ -	\$ (475)	\$ 1,263
Inventory	2,417	193	-	2,610
Others	133	(100)	-	33
	<u>\$ 4,288</u>	<u>\$ 93</u>	<u>\$ (475)</u>	<u>\$ 3,906</u>
	January 1, 2022	Recognized as profit or loss	Recognized as OCI	December 31, 2022
Deferred tax assets:				
Temporary difference				
Defined benefit plans	\$ 6,556	\$ (21)	\$ (905)	\$ 5,630
Inventory	6,773	(935)	-	5,838
Accounts receivables	6,067	(3,095)	-	2,972
Financial assets at fair value through profit or loss	589	3,755	-	4,344
Provision	1,262	436	-	1,698
Plant, property and equipment	546	(172)	-	374
Other payables	1,292	(128)	-	1,164
Others	645	393	-	1,038
	<u>\$ 23,730</u>	<u>\$ 233</u>	<u>\$ (905)</u>	<u>\$ 23,058</u>
Deferred tax liabilities:				
Temporary difference				
Defined benefit plans	\$ -	\$ -	\$ 1,738	\$ 1,738
Inventory	4,359	(1,942)	-	2,417
Others	363	(230)	-	133
	<u>\$ 4,722</u>	<u>\$ (2,172)</u>	<u>\$ 1,788</u>	<u>\$ 4,288</u>

D. Unrecognized loss carryforwards, deferred tax assets and liabilities and temporary difference

a. Unrecognized deferred tax assets

	December 31, 2023	December 31, 2022
Investment using equity method	<u>\$ 8,727</u>	<u>\$ 4,339</u>

b. Unrecognized deferred tax liabilities

	December 31, 2023	December 31, 2022
Investment using equity method	<u>\$ -</u>	<u>\$ 1,373</u>

E. Income tax assessment

As of March 12, 2024, the income tax returns of the Company through 2021 and its subsidiaries have been examined by the tax authorities.

(23) Capital management

The coating markets had been effected by the global demands which needs large amount of operating fund in the early of the year. The Company manages its capital risk to ensure sufficient financial resources and operational plan to meet the demand of necessary

operating fund, capital expenditure, research and development expense, debt repayment, and dividend expenditure for the future. The Company had adjusted the proportion of liabilities to maintain the capital structures. The ratio of assets and liabilities as of December 31, 2023 and 2022, respectively were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total of liabilities	\$ 1,153,338	\$ 1,018,520
Total of assets	2,376,304	2,344,437
Ratio of liabilities (%)	48.53	43.44

(24) Financial instruments

A. Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 101,662	\$ 75,938
Financial assets at amortized cost – current	3,900	900
Notes and accounts receivables, net	366,418	431,233
Finance lease receivables	8,602	1,280
Other accounts receivables	2,503	1,467
Other current assets	132	-
Other noncurrent assets	2,611	5,193
Financial assets at amortized cost – noncurrent	38,452	39,169
Financial liabilities		
Financial liabilities at amortized cost		
Short-term loans	\$ 63,485	\$ 106,526
Notes and accounts payables	168,095	174,131
Other accounts payables	15,493	48,133
Other payables	57,556	132,490
Guarantee deposits	921	753
Long-term loans (including current portion)	786,830	482,802

B. Financial risk management objectives

The Company manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

C. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

a. Risks of foreign currency exchange rates

The Company's operating activities and investment in foreign are mainly denominated in foreign currencies and exposed to foreign currency risk. The Company used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Company's income.

The Company borrowed bank USD and Yen loans for the purposes of purchasing materials which has natural hedging effect with accounts receivables and avoids risks from the changes of the foreign currency.

The Company had not used derivatives financial instruments for the years ended December 31, 2023 and 2022.

The Company had not hedge certain foreign exchange risks that the Company is exposed to throughout its operating.

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 10% strengthening/weakening of the functional currency against U.S. dollars, the Company's net income before tax for January 1 to December 31, 2022 and 2023 would have decreased/increased by \$15,408 thousand and \$12,870 thousand, respectively. Assuming a 10% strengthening/weakening of the functional currency against Japanese Yen, the Company's net income before tax for January 1 to December 31, 2022 and 2023 would have decreased/increased by \$82 thousand and \$5 thousand, respectively.

The information of financial assets and liabilities with major impact were as follows:

Unit: currency in thousand

Items	December 31, 2023		December 31, 2022	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	\$ 6,459	30.655	\$ 6,806	30.65
JPY	4,799	0.2146	277	0.2297
Financial liabilities				
Monetary items				
USD	176	30.655	1,557	30.65

The Company recognized gains on foreign exchange (including realized and unrealized) of \$1,829 thousand and \$13,127 thousand for the years ended December 31, 2023 and 2022, respectively.

b. Interest rate risk

The sensitivity analysis of interest is performed based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period. If interest rates had been 100 basis points higher/lower, the Company's pre-tax loss for year ended December 31, 2023 and 2022 would have decreased/increased by \$6,554 thousand and \$4,313 thousand, respectively.

The information of carrying amount of the fixed and floating interest rate as of the balance sheet date were as follows:

Items	December 31, 2023	December 31, 2022
Fixed rates		
Financial liabilities	\$ 31,122	\$ 50,185
Floating rate borrowing		
Financial assets	99,175	68,327
Financial liabilities	819,193	539,143

D. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Company has established

procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors, such as financial condition, external and internal credit scoring, historical experience, and economic conditions, which may affect the customer's paying ability.

As of December 31, 2023 and December 31, 2022, the Company's ten largest customers accounted for 60% and 52% of its total trade receivables (including receivables from related parties), respectively. The Company believed that the concentration of credit risk is relatively insignificant for the remaining trade receivables.

Financial credit risk

The Company's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Company only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

E. Liquidity risk

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual, undiscounted payments, including principal and estimated interest of interest bearing.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

December 31, 2023	On Demand or Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Noninterest bearing	\$241,156	\$ -	\$ 295	\$ 614	\$ -	\$242,065
Lease liabilities	3,278	3,281	9,919	767	-	17,245
Instruments using floating interests rate	80,516	48,153	192,611	163,445	334,468	819,193
Instruments using fixed interests rate	31,122	-	-	-	-	31,122
December 31, 2022	On Demand or Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Noninterest bearing	\$354,764	\$ -	\$ 295	\$ 448	\$ -	\$355,507
Lease liabilities	2,849	1,627	3,428	436	-	8,340
Instruments using floating interests rate	89,457	33,115	195,795	52,462	168,314	539,143
Instruments using fixed interests rate	50,185	-	-	-	-	50,185

The Company's unused financing facilities as of December 31, 2023, and 2022 amounted to \$550,235 thousand and \$517,502 thousand.

F. Fair value of financial instrument

a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or the fair values cannot be reliably measured.

b. Valuation techniques and assumptions used fair value measurement

Financial assets at fair value through profit or loss and financial assets at fair value through OCI are categorized under level 1 fair value.

The listed stocks, beneficiary certificates and global depositary receipts held by the Company are measured at fair value according to standard provision and conditions; the fair value is measured using the quoted price in an active market.

Financial instruments without an active market held by the Company are measured at fair value according to the market approach; the fair value is assessed by using the price-equity ratio and price-earnings ratio of the competitors.

c. Fair value measurements recognized in the consolidated balance sheet

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Stock	\$ -	\$ -	\$ 38,452	\$ 38,452
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss				
Stock	\$ -	\$ -	\$ 39,169	\$ 39,169

There was no transfer of measurements of fair value in the Company for the years ended in 2023 and 2022.

(25) Earnings per share

	<u>2023</u>	<u>2022</u>
Weighted average number of common shares outstanding used in the computation of basic EPS (in thousands)		
Basic earnings per share (dollar)	\$ 636	\$ 263,739
Diluted earnings per share	82,361	82,361
Net income available to common shareholders	\$ 0.01	\$ 3.20
Weighted average number of common shares outstanding used in the computation of basic EPS (in thousands)		
Effects of all dilutive potential common shares (in thousands)	\$ 636	\$ 263,739
Employees compensation	82,361	82,361
Weighted average number of common shares used in the computation of diluted EPS (in thousands)		
Employee benefits	-	1,039
Weighted average number of common shares outstanding used in the computation of basic EPS (in thousands)	82,361	83,400
Basic earnings per share (dollar)	\$ 0.01	\$ 3.16

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

(26) Non-cash transaction

Investing and financing activities which were not listed in the statement of cash flows for the years ended in 2023 and 2022 were as follows:

A. Financing activities that will not have effect on cash flows

	December 31, 2023	December 31, 2022
Current portion of long-term loans payable	\$ 96,306	\$ 66,231

B. Investing activities of property, plant and equipment

	2023	2022
Additions of property, plant and equipment	\$ (49,119)	\$ (157,119)
Changes in other notes payables	(32,640)	44,093
Changes in other accounts payables	(1,375)	(4,891)
Capitalized interests	1,615	1,634
Payments for acquisition of property, plant and equipment	\$ (81,519)	\$ (116,283)

C. Investing activities of intangible assets

	2023	2022
Additions of intangible assets	\$ (50)	\$ (3,902)
Prepayments for equipment	-	3,074
Payments for acquisition of intangible assets	\$ (50)	\$ (828)

7. Related-party transactions

(1) Related party name and categories

Related Party Name	Related Party Categories
Miracle Textile Industry Co., Ltd.	Subsidiary
Shoetex Corporation	Subsidiary
Hor Jing Corp.	Others
Htm Material Co., Ltd	Others
Wada Technology Co., Ltd	Others
Chia Cherng Industry Co., Ltd	Others
Panel Trading Co., Ltd.	Others
Wu, Li Hsueh	Others
Chen Wu, Li Show	Others

(2) Operating revenue

Accounts	Category	2023	2022
Sales revenue	Subsidiary	\$ 35,800	\$ 58,072
	Other	38,732	32,759
		\$ 74,532	\$ 90,831

The sales price to related parties was determined based on normal market terms. The collection terms for related parties were 30 to 120 days after monthly closing.

(3) Purchases

	2023	2022
Other	\$ 4,696	\$ 2,263

The purchase prices to related parties was determined based on normal market terms. The payment terms for related parties were 30 to 60 days after monthly closing.

(4) Accounts receivable-related parties

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	Subsidiary	\$ 6,412	\$ 7,629
	Other	-	37
		<u>\$ 6,412</u>	<u>\$ 7,666</u>
Accounts receivable	Subsidiary	\$ 4,298	\$ 2,775
	Other	18,465	8,481
		<u>\$ 22,763</u>	<u>\$ 11,256</u>
Lease receivable	Subsidiary	<u>\$ 8,602</u>	<u>\$ 1,280</u>
Other accounts receivables	Subsidiary	<u>\$ 1,465</u>	<u>\$ 1,266</u>

The Company had no insurance for those outstanding accounts receivables from related parties.

(5) Accounts payables, related parties

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payables	Others	\$ 1,403	\$ -
Other accounts payables	Subsidiary	\$ 469	\$ 53

Balance of lease liability were not pledged as collateral.

(6) Lease agreements

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liability	Others	<u>\$ 2,176</u>	<u>\$ -</u>

<u>Accounts</u>	<u>Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Interest expense	Others	<u>\$ 34</u>	<u>\$ 8</u>

(7) Other

A. Guarantee deposits (recognized as other noncurrent assets)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Others	<u>\$ 220</u>	<u>\$ 220</u>

B. Direct labor

	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ -</u>	<u>\$ 120</u>

C. Operating-entertainment fees

	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ 7</u>	<u>\$ 1</u>

D. Operating- other expenses

	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ 52</u>	<u>\$ -</u>

E. Administrative- entertainment fees

	<u>2023</u>	<u>2022</u>
Subsidiary	<u>\$ 69</u>	<u>\$ 10</u>

F. Administrative- waste disposal fees

	2023	2022
Subsidiary	\$ 31	\$ -

G. Administrative- other expenses

	2023	2022
Subsidiary	\$ 1,110	\$ -

H. Rental revenue

	2023	2022
Subsidiary	\$ 15	\$ 600

I. Other revenue

	2023	2022
Subsidiary	\$ 166	\$ 634

(8) Transactions of properties

The Company sold machines and equipment to the subsidiaries and recognized gains on disposal of property, plant and equipment of \$67 thousand in 2017 and 2013. As of December 31, 2022, deferred gains on disposal of property, plant and equipment had been fully realized.

(9) Management's remuneration

Directors, supervisors, and the management's remuneration were as follows:

	2023	2022
Short-term benefits	\$ 18,082	\$ 31,888
Post-employment benefits	438	441
	\$ 18,520	\$ 32,329

The compensation to directors and other key management personnel were determined by the compensation committee of the Company in accordance with the individual performance and market trends.

8. Assets Pledged as Collateral

Assets	Purposes	December 31, 2023	December 31, 2022
Land	Long-term and short-term loans	\$ 642,154	\$ 642,154
Buildings	Long-term and short-term loans	418,705	224,153
Noncurrent assets held for sale (Land and property)	Long-term loans	3,000	-
Financial assets at amortized cost – current	Custom duty deposits	900	900
		\$ 1,064,759	\$ 867,207

9. Significant Contingencies and Unrecognized Contract Commitments

- (1) For the purpose of purchasing materials, the amount of the L/C of the Company had issued but not yet used were \$22,399 thousand and \$21,577 thousand for the years ended in 2023 and 2022.
- (2) The Company had signed contracts regarding to the purchase of equipment which were not recognized in were \$94,254 thousand and \$109,492 thousand for the years ended in 2023 and 2022.

- (3) As of December 31, 2023 and 2022, the Company had signed an unfinished construction amounted to \$ 188 thousand and \$24,039 thousand.

10. Significant Disasters Loss: None

11. Significant Subsequent Events

- (1) The Group's subsidiary, Shoetex corporation had accumulated losses of \$67,543 thousand as of December 31, 2023, reaching half of its paid-in capital. On February 26, 2024, the board of directors approved a resolution to reduce capital to offset the losses, proposing a reduction of \$67,542 thousand.
- (2) The Group's subsidiary, Shoetex corporation increased its capital by cash by approval of board of directors on February 26, 2024, to improve the financial structure. The proposed total capital increase amount is NT\$30 million. After approval of the capital adjustment in the Group's shareholders' meeting, the board of directors will then determine the issuance of new shares.
- (3) The Group's subsidiary, Shoetex corporation increased its capital by cash by approval of board of directors on February 26, 2024. The proposed total capital increase amount is NT\$30 million. The Group resolved at the board meeting on March 12, 2023, to subscribe according to its shareholding ratio. In the event of any shortfall in the subscription for the capital increase of its subsidiary, Shoe Crystal Technology Co., Ltd., the Board is authorized to decide whether the Group will handle the related matters or negotiate with specific individuals.

12. Others: None.

13. Other Disclosures

- (1) Information on significant transactions and (2) investees
- A. Loans to other parties: None
 - B. Guarantees and endorsements for other parties: None
 - C. Securities held as of December 31, 2023 (excluding investment in subsidiaries): Please refer to Table 1.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
 - F. Disposal of real property with transaction amount reaches 20% or more of capital surplus, or NT\$ 300 million, please refer to Table 2
 - G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
 - I. Trading in derivative instruments: None.
 - J. Business relationships and significant intercompany transactions: Please refer to Table 2.
 - K. Information of investees: Please refer to Table 3.
- (3) Information on investment in Mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: None.
 - B. Any of the following significant transactions with investee companies in the mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
 - (c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - (f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- (4) Major shareholders: The information on major shareholders who hold 5 percent, please refer to Table 4.

14. Operating segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

Table 1

Shuang Bang Industrial Corporation
Securities held as of December 31, 2023
(excluding investment in subsidiaries)

Name of holder	Category and name of security (note 1)	Relationship with company	Account title	Ending balance (note 2)				Note Shares
				Shares	Carrying amount	Shares	Carrying amount	
Shuang Bang Industrial Corporation	Stock-Nangang Cooperatives for common labors	-	Financial assets at fair value through profit or loss – non-current	200 shares	20	0.42	20	(note 3)
Shuang Bang Industrial Corporation	Stock-LOYAL SPLENDOR INT’L LTD. (Seychelles)	-	Financial assets at fair value through profit or loss – non-current	540	10,678	18.00	10,678	(note 3)
Shuang Bang Industrial Corporation	Stock-GRAND AND GREAT CORPORATION LIMITED (Samoa)	-	Financial assets at fair value through profit or loss – non-current	1,400	27,754	3.33	27,754	(note 3)

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial instruments.

Note 2: Refer to the note 6(5) in consolidated financial statements.

Note 3: The number of shares of securities and were not pledged as security or pledged for loans and their restrictions on use under some agreements.

Shuang Bang Industrial Corporation
Business relationship and significant intercompany transactions
For year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Number (Note1)	Name of Company	Name of counterparty	Nature of relationship (Note2)	Intercompany transactions			
				Items	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note3)
0	Shuang Bang Industrial Corporation	Miracle textile industry Co., LTD.	1	Sales revenue	\$31,933	-	2.17
				Notes receivables—related party	6,412	Net 120 days	0.27
				Accounts receivables—related party	2,468	Net 120 days	0.10
0	Shuang Bang Industrial Corporation	Shoetex Corporation	1	Sales revenue	3,867	-	0.26
				Accounts receivables—related party	1,830	Net 105 days	0.08
				Lease receivables—related party	8,602		0.36
				Other accounts payables—related party	1,465	Net 105 days	0.06
				Other accounts payables—related party	469	-	0.02
				Operating -			
				entertainment expense	7	-	-
				other expense	52	-	-
				Administrative -			
				entertainment expense	69	-	-
				waste disposal fees	31	-	-
				other expense	1,110	-	0.08
				Rental income	15	-	-
				Other income	166	-	0.01

Note1: Numbers are filled in as follows:

1.0 represents the parent company.

2. Subsidiaries are numbered from 1.

Note 2: Nature of relationship:1. From parent to subsidiary. ; 2. From subsidiary to parent. 3. Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on ending balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

Shuang Bang Industrial Corporation and Subsidiaries
Information of investees
For year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment	Original investment amount		Balance as of December 31, 2023			Net loss (note 2)	Investment income (loss) (Note2)	Note
				Outflow	Inflow	Shares (in thousands)	Percentage of ownership%	Carrying value			
Shuang Bang Industrial Corporation	Miracle Textile Industry Co., Ltd.	TW	Manufacturing of coatings	22,517	22,517	2,225	44.50	13,404	(17,381)	(7,735)	Subsidiary
Shuang Bang Industrial Corporation	Shoetex Corporation	TW	Manufacturing of finished shoes	82,650	54,600	8,265	68.87	36,062	(31,468)	(21,128)	Subsidiary

Note1: Recognized based on the financial statements audited by certified public accountants.

Shuang Bang Industrial Corporation
Information of investment in Mainland China
For year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (Note 3)	Investment flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits /Losses	Carrying Amount as of Balance as of December 31, 2023(Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
-	-	-	-	-	-	-	-	-	-	-	-	-

Accumulated Investment in Mainland China as of S December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 1)
24,849	24,849	733,780

Note1: The net value of the stocks on the balance sheet date by 1,222,966 thousand * 0.6 = 733,780 thousand dollars.

Note2: The above amounts were translated into New Taiwan dollars at the prevailing exchange rate as of December 31, 2023, except for the original investment.

Note3: The Company did not have any investments in Mainland China currently.

Shuang Bang Industrial Corporation
Information of major shareholders
December 31, 2023

Shareholders	Shares	
	Total shares owned	Ownership percentage
Chang, Chung-Tung	6,700,207	8.13%
Chen, A-Ming	4,998,802	6.06%

Note1 : The main shareholder information in this table was calculated by the insurance company Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter, the total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration has reached more than 5%. As for the share capital recorded in the company's financial report and the number of shares actually delivered by the company without physical registration, there may be differences due to the different calculation basis.

Shuang Bang Industrial Corporation
Statements of Major Accounting items
For the year ended 2023

Shuang Bang Industrial Corporation
Statement of cash and cash equivalents

December 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Items	Description	Amount	Note
Cash		\$245	
Check Deposit		6,142	
Demand Deposit		60,447	
Foreign currency deposit	USD 1,100,836.96, JPY 4,693,316, HKD 6.11 、 EUR 0.03 and RMB 1.65	34,828	USD\$1 = NT\$ 30.710 JPY\$1 = NT\$ 0.2175 HKD\$1 = NT\$ 3.934 EUR\$1 = NT\$ 34.010 RMB\$1 = NT\$ 4.329
Total		\$101,662	

Shuang Bang Industrial Corporation
Statement of notes receivables
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related party, arising from operating			
Company H1	Notes receivables from operating revenue	\$10,450	The amount of individual client included in others does not exceed 5% of the account balance.
Company Q	"	7,870	
Company Z	"	4,662	
Company S1	"	4,297	
Others	"	34,919	
Subtotal		\$62,198	
Less: Allowance for doubt accounts		-	
Net amount from non-related person		\$62,198	
Related party			
Company T	Notes receivables from operating revenue	6,412	
Subtotal		\$6,412	
Less: Allowance for doubt accounts		-	
Net amount from non-related person		\$6,412	
Total		\$68,610	

Shuang Bang Industrial Corporation
Statement of accounts receivables
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related party			
Company B1	Accounts receivables from operating revenue	\$37,794	
Company H2	"	16,599	
Company R	"	16,495	
Company B2	"	16,328	
Company H1	"	15,999	
Company C1	"	15,379	
Others	"	162,633	The amount of individual client included in others does not exceed 5% of the account balance.
Subtotal		\$281,227	
Less: Allowance for doubt accounts		(6,182)	
Net amount		\$275,045	
Third party			
Company H3	Accounts receivables from operating revenue	18,290	
Others	"	4,473	
Subtotal		\$22,763	
Less: Allowance for doubt accounts		-	
Net amount of related party		\$22,763	
Total		\$297,808	

Shuang Bang Industrial Corporation
Statement of other accounts receivables
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Non-related party			
Reimbursement expense	Reimbursement expenses for utility and maintenance	\$1,038	
Subtotal		1,038	
Related party			
Company S2	Reimbursement expenses for rents of the plant	\$1,465	
Subtotal		1,465	
Total		\$2,503	

Shuang Bang Industrial Corporation
Statement of inventories
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Item	Amount		Notes
	Cost	Net realizable value	
Goods	\$3,946	\$4,252	Net realizable value as market price
Finished goods	138,434	160,090	Net realizable value as market price
Semi-finished goods	8,268	3,586	Net realizable value as market price
Work In Process	9,127	9,127	Net realizable value as market price
Raw materials	97,254	84,405	Replacement value as market price
Supplies and spare parts	20,293	16,110	Replacement value as market price
Subtotal	\$277,322		
Less: Provision for inventory write-downs	(43,705)		
Total	\$233,617	\$277,570	

Shuang Bang Industrial Corporation
Statement of Financial assets at fair value through profit or loss, noncurrent
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise))

Name	Balance, January 1, 2023		Additions in Investment		Decrease in Investment		Balance, December 31, 2023		Pledged as collateral
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value	
Stock-Nangang Cooperatives for common labors	200 shares	\$20	-	-	-	-	200 shares	\$20	Nil
LOYAL SPLENDOR INT'L LTD.(Seychelles)	540	14,306	-	-	-	\$(3,628)	540	10,678	Nil
GRAND AND GREAT CORPORATION LIMITED (Samoa)	1,400	24,843	-	\$2,911	-	-	1,400	27,754	Nil
Total	-	\$39,169	-	\$2,911	-	\$(3,628)	-	38,452	

Shuang Bang Industrial Corporation
Statement of Changes in Investment accounted for using equity method noncurrent
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Balance, January 1, 2023		Additions in investment		Decrease in Investment		Balance, December 31, 2023			Market value or Net assets value		Pledged as collateral
	Share	Amount	Share	Amount	Share	Amount	Share	Ownership %	Amount	Unit price (dollar)	Total	
Miracle Textile Industry Co., Ltd.	2,225	\$21,124	-	-	-	\$(7,720)	2,225	44.50	\$13,404	\$6	\$13,404	Nil
Shoetex Corporation	5,460	31,796	2,805	\$28,050	-	(23,784)	8,265	68.87	36,062	4	36,062	Nil
Total	-	\$52,920	-	\$28,050	-	\$(31,504)	-		\$49,466	\$-	\$49,466	

Note1: The investee had applied to change to non par value stocks on March 16, 2018.

Note2: Shuang Bang Industrial Corp. (BVI) had been dissolved after short form merger with the Company on November 30, 2023.

Shuang Bang Industrial Corporation
Statement of Change in right-of-use assets
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Balance, January 1, 2023	Additions	Decrease	Balance, December 31, 2023	Note
Buildings	\$1,312	\$3,286	\$(1,312)	\$3,286	
Transportation	12,490	1,722	(2,294)	11,918	
Total	\$13,802	\$5,008	\$(3,606)	\$15,204	

Shuang Bang Industrial Corporation
Statement of depreciation of right-of-use assets
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Balance, January 1, 2023	Additions	Decrease	Balance, December 31, 2023	Note
Buildings	\$437	\$1,961	\$(1,312)	\$1,086	
Transportation	5,346	2,434	(2,240)	5,540	
Total	\$5,783	\$4,395	\$(3,552)	\$6,626	

Shuang Bang Industrial Corporation
Securities held as of December 31, 2023
(excluding investment in subsidiaries)

Type	Carrying amount	Period	Percentage of ownership (%)	Credit for financing	Collateral
Operating fund					
Land Bank of Taiwan	\$30,000	2023.11.15~2024.02.07	Note1	50,000	None
Inland L/C credit					
Chang Hwa Commercial Bank	13,770	2023.11.16~2023.05.21	Note1	90,000	Plant
Mega Bank	12,996	2023.12.12~2023.06.17	Note1	Note 2	None
Hua Nan Bank	5,597	2023.12.15~2024.04.12	Note1	250,000	Land and Plant
International L/C credit					
Land Bank of Taiwan	1,122	2023.12.28~2024.06.25	Note1	36,000	None
Total	\$63,485				

Note1: The short-term interest rates of borrowing as of December 31, 2023 was 1.75% to 6.80%.

Note2: The credit amount in Mega Bank was USD 4,000 thousand.

Shuang Bang Industrial Corporation
Statement of Notes payable
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Customer Name	Description	Amount	Note
Nonrelated party, arising from operating			
Company D1	Loans	\$227	
Company A	"	72	
Company J	"	68	
Company S3	"	41	
Others	"	36	The amount of individual client included in others does not exceed 5% of the account balance.
Subtotal		\$444	
Nonrelated party, arising not from operating			
Company Y	Purchase of property, plant and equipment	7,343	
Company C2	"	1,826	
Company D2	"	1,145	
Others	"	5,179	The amount of individual client included in others does not exceed 5% of the account balance.
Subtotal		15,493	
Total		\$15,937	

Shuang Bang Industrial Corporation
Statement of Notes payable
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Supplier Name	Description	Amount	Note
Nonrelated party			The amount of individual client included in others does not exceed 5% of the account balance.
Company C3	Loans	\$10,919	
Others	"	155,329	
Subtotal		\$166,248	
Related party			
Company H4	Loans	\$1,403	
Subtotal		\$1,403	
Total		\$167,651	

Shuang Bang Industrial Corporation
Statement of Other accounts payable
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Supplier Name	Description	Amount	Note
Nonrelated party			The amount of individual client included in others does not exceed 5% of the account balance.
Salary and bonus payables	Salary and bonus	\$24,538	
Insurance payables	Insurance expenses	3,376	
Other	Insurance and miscellaneous expenses	29,173	
Subtotal		\$57,087	
Related party			
Company S2	Kinds of shoes	469	
Subtotal		469	
Total		\$57,556	

Shuang Bang Industrial Corporation
Statement of Lease Liabilities
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Item	Lease Period	Discount rate (%)	Ending balance	Note
Buildings	3 years	1.250~1.926	\$10,605	
Transportation	5 years	0.967~4.248	6,265	
Total			\$16,870	

Shuang Bang Industrial Corporation
Statement of Long-term Liabilities
December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Creditor	Description	Amount due within 1 year	Amount due after 1 year	Contract Period	Interest rate%	Pledged or collateral
Chang Hwa Commercial Bank	Secured long-term loans	\$26,231	\$247,006	2019.05.09~2034.05.09	1.80	Land and plant
Hua Nan Bank	Secured medium-term loans	50,000	170,834	2023.05.25~2028.05.25	1.98	Land and plant
Mega Bank	Secured long-term loans	20,075	272,684	2023.07.27~2038.07.27	1.965	Land and plant
Total		96,306	690,524			

Note: As of December 31, 2023, the interest rate was between 1.80% to 1.98% for long-term loans.

Shuang Bang Industrial Corporation
Statement of Sales Revenue
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Coatings	14,548 thousand yards	\$707,851	The amount of individual client included in others does not exceed 10% of the account balance.
Hardener	2,624 tons	321,112	
Polyurethane	2,102 tons	182,590	
Thermoplastic Polyurethane	674 tons and 681 thousand yards	154,565	
Others	-	102,913	
Additional Processing Revenue	Revenue of additional processing for the customers	28,601	
Subtotal		\$1,497,632	
Less: Sales Returns		(14,193)	
Sales Discounts		(9,120)	
Total		\$1,474,319	

Shuang Bang Industrial Corporation
Statement of Operating Costs
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Amount
Inventory, January 1	\$6,774
Add: Net amount of purchase for the period	23,869
Less: Ending inventory	(3,946)
Less: Others (transferred to other operating costs)	(1)
Cost of Goods Sold	\$26,696
Raw Material, January 1	\$105,262
Add: Net amount of purchase for the period	701,715
Others (transferred from WIP)	2,928
Less: Material, December 31	(97,254)
Sold of Materials	(14,432)
Other (transferred to other operating costs and operating expenses, etc.)	(12,580)
Consumption of Raw Materials	\$685,639
Consumption materials, January 1	\$35,328
Add: Net amount of purchase for the period	122,609
Others (transferred from WIP)	328
Less: Consumption Material, December 31	(20,293)
Sold of Consumption Materials	(553)
Other (transferred to other operating costs and operating expenses, etc.)	(59,393)
Consumption of Materials	\$78,026
Direct Labor	\$118,064
Operating Expenses	356,189
Operating Costs	\$1,237,868
Add: WIP, January 1	12,206
Less: WIP, December 31	(9,127)
Add: Semi-finished goods, January 1	15,945
Less: Semi-finished goods, December 31	(8,268)
Add: Others (adjustments of semi-finished goods)	105
Less: Others (transferred to other operating costs and operating expenses, etc.)	(13,627)
Add: Finished goods, January 1	153,873
Less: Finished goods, December 31	(138,434)
Add: Others (adjustments of semi-finished goods)	1,720
Less: Others (transferred to other operating costs and operating expenses, etc.)	(63,804)
Total amount of cost of goods sold	\$1,188,457
Add: Others (sales of raw materials, coating expenses and allowance for inventory loss)	97,048
Less: Others (revenues from sales of scraps)	(2,879)
Operating Costs	\$1,309,322

Shuang Bang Industrial Corporation
Statement of Operating Expenses
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Consumption of materials	Consumption of materials	\$77,277	
Depreciation	Depreciation expense for the period	71,034	
Utility Expense	Utility Expense	60,095	
Salary Expense	Salary, overtime paid and profit sharing	43,764	
Waste Disposal Fees	Maintenance of administrative center	22,472	
Insurance expenses	Labor, health and equipment insurance expenses	18,998	
Other operating expenses	Security service expenses	27,080	
Others	Additional processing, maintenance and insurance fees	35,419	The amount of individual client included in others does not exceed 5% of the account balance.
Total		\$356,139	

Shuang Bang Industrial Corporation
Statement of Selling Expenses
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Salary	Salary, overtime paid and profit sharing	\$24,411	
Customs fees	Customs fees	8,372	
Freight	Freight of sold of goods	7,647	
Other expenses	Selling and testing expenses	4,412	
Others	Sampling, commission, and insurance expenses	14,294	The amount of individual client included in others does not exceed 5% of the account balance.
Total		\$59,136	

Shuang Bang Industrial Corporation
Statement of General Expenses
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Salary	Salary, overtime paid and profit sharing	\$25,170	
Other expenses	Annual party and traveling expenses for directors	7,999	
Depreciation	Depreciation expense for the period	6,419	
Insurance expenses	Labor, health and equipment insurance expenses	3,922	
Professional fees	Accountant certification and consulting fees	3,574	
Others	Insurance expenses, employees' welfare, and professional technology	14,918	The amount of individual client included in others does not exceed 5% of the account balance.
Total		\$61,282	

Shuang Bang Industrial Corporation
Statement of Research and Development Expenses
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Items	Description	Amount	Note
Salary	Salary, overtime paid and profit sharing	\$12,420	
Others	Pension, amortization, and meal allowance	21,851	The amount of individual client included in others does not exceed 5% of the account balance.
Total		\$34,271	

Shuang Bang Industrial Corporation
Summary of employee's welfare, depreciation and amortization by functions
For the year ended December 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employees' benefit						
Salary Expenses	\$150,692	\$ 61,041	\$211,733	\$193,516	\$ 87,552	\$281,068
Labor and health insurance	15,018	7,428	22,446	14,859	6,306	21,165
Pension Expenses	5,217	3,147	8,364	5,105	3,110	8,215
Boards' remuneration	-	960	960	-	9,500	9,500
Others	5,902	5,642	11,544	5,846	5,241	11,087
	\$176,829	\$ 78,218	\$255,047	\$219,326	\$111,709	\$331,035
Depreciation	\$ 71,847	\$ 9,787	\$ 81,634	\$ 64,356	\$ 9,412	\$ 73,768
Amortization	\$ 877	\$ 1,723	\$ 2,600	\$ 938	\$ 2,530	\$ 3,468

Note 1: As of December 31, 2023 and 2022, the Company had 359 and 342 employees, respectively.

There were 7 non-employee directors.

Note 2: Average labor cost for the years ended December 31, 2023 and 2022 were NT\$722 thousand and NT\$960 thousand, respectively. Average salary and bonus for the years ended December 31, 2023 and 2022 were NT\$602 thousand and NT\$839 thousand, respectively.

Note 3: The average salary and bonus decreased by 28.25% year over year.

Note 4: The Company's compensation policies:

- (1) The Company's employees are entitled to a comprehensive compensation and benefits program above the industry average. The compensation program includes a monthly salary, business performance bonuses based on quarterly business results, a profit-sharing bonus based on annual profits, and a subsidy based on Employee Stock Purchase Plan. The Company determines the amount of the business performance bonus and profit sharing based on operating results and industry practice in the R.O.C. The amount and distribution of the bonus and profit sharing are recommended by the Compensation Committee (Note 8) to the Board of Directors for approval. Individual rewards are based on each employee's job responsibility, contribution, and performance.
- (2) The Company's compensation policies: The Company's employees are entitled to a comprehensive compensation and benefits program above the industry average. The compensation program includes a monthly salary, business performance bonuses based on quarterly business results, a profit sharing bonus based on annual profits

(3) The total compensation paid to the executive officers is decided based on their job responsibility, contribution, company performance and projected future risks the Company will face. It is reviewed by the Compensation Committee then submitted to the Board of Directors for approval.

Please refer to note 6(7) for movements of property, plant and equipment.

Please refer to note 6(7) for movements of property, plant and equipment and accumulated depreciation.

Please refer to note 6(9) for statements of intangible assets.

Please refer to note 6(10) for statements of other noncurrent assets.

Please refer to note 6(14) for statements of current provision assets.



Shuang-Bang Industrial Corp.



Chairman: Chung-Tang Chang

