

San Fang Chemical Industry Co.,
Ltd.

Standalone Financial Statements
and Independent Auditor's Report
2023 and 2022

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Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2023 and 2022.

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2023 and 2022, as well as its financial performance and cash flow for the years ended December 31, 2023 and 2022.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to standalone financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the Company, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2023 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2023 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Co., Ltd. is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the

Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Management and the Governance Department's Responsibility for the Standalone Financial Statements

The responsibility of management is to prepare fairly presented standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal controls related to the preparation of standalone financial statements, in order to ensure that the standalone financial statements are free of material misstatements, whether due to fraud or error.

When preparing the standalone financial statements, it is also the responsibility of management to evaluate the Company's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the Company, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the Company is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Standalone Financial Statements

The purpose for auditing the standalone financial statements is to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the standalone financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the standalone financial statements.

We utilized our professional judgment and professional skepticism during the audit according to auditing standards. We also performed the following work:

- I. Identified and evaluated material misstatements in the standalone financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the Company's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the Company's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the standalone financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the Company to no longer be able to continue as a going concern.
- V. Evaluated the overall presentation, structure, and contents of the standalone financial statements (including related notes), and whether or not the standalone financial statements fairly present related transactions and events.
- VI. Obtained sufficient and appropriate audit evidence of financial information on the Company, and expressed our opinion on the standalone financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the Company.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2023 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan
CPA Chiu-Yen Wu

CPA Yu-Hsiang Liu

Securities and Futures Commission Approval
No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

Financial Supervisory Commission Approval
No.

Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 6, 2024

San Fang Chemical Industry Co., Ltd.

Balance Sheet

December 31, 2023 and 2022

Unit: Thousand NTD

| Code | Assets | December 31, 2023 | | December 31, 2022 | |
|------|--|----------------------|------------|----------------------|------------|
| | | Amount | % | Amount | % |
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 4 and 6) | \$ 1,119,173 | 8 | \$ 1,560,873 | 10 |
| 1110 | Current financial assets at fair value through profit or loss (Note 4 and 7) | 100,589 | 1 | 94,324 | 1 |
| 1150 | Net notes receivable (Note 4 and 9) | 24,507 | - | 14,387 | - |
| 1170 | Net accounts receivable (Note 4 and 9) | 611,828 | 4 | 704,915 | 5 |
| 1180 | Net accounts receivable – related parties (Note 4, 9 and 27) | 272,531 | 2 | 313,954 | 2 |
| 1200 | Net other receivables (Note 4) | 25,427 | - | 14,617 | - |
| 1210 | Other receivables - related parties (Note 27) | 165,724 | 1 | 223,527 | 1 |
| 130X | Inventories (Note 4, 5 and 10) | 1,062,967 | 7 | 1,320,929 | 9 |
| 1410 | Advance payments | 60,184 | - | 84,600 | 1 |
| 1476 | Other financial assets – current (Note 11) | 347,799 | 2 | - | - |
| 1479 | Other current assets | 7,226 | - | 9,051 | - |
| 11XX | Total current assets | <u>3,797,955</u> | <u>25</u> | <u>4,341,177</u> | <u>29</u> |
| | Non-current assets | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 4 and 8) | 89,234 | - | 57,215 | - |
| 1550 | Investments recognized under the equity method (Note 4 and 12) | 7,445,232 | 50 | 6,701,060 | 45 |
| 1600 | Property, plant and equipment (Note 4, 13 and 28) | 2,810,339 | 19 | 3,035,110 | 20 |
| 1755 | Right-of-use assets (Note 4 and 14) | 8,242 | - | 6,650 | - |
| 1760 | Investment properties (Note 4, 15 and 28) | 109,189 | 1 | 110,056 | 1 |
| 1801 | Computer software – net (Note 4) | 8,731 | - | 17,301 | - |
| 1840 | Deferred income tax assets (Note 4 and 23) | 92,853 | 1 | 81,172 | 1 |
| 1915 | Advance payments for equipment | - | - | 10,873 | - |
| 1920 | Refundable deposits | 12,632 | - | 12,782 | - |
| 1980 | Other financial assets – noncurrent (Note 4 and 11) | 604,889 | 4 | 595,350 | 4 |
| 15XX | Total non-current assets | <u>11,181,341</u> | <u>75</u> | <u>10,627,569</u> | <u>71</u> |
| 1XXX | Total assets | <u>\$ 14,979,296</u> | <u>100</u> | <u>\$ 14,968,746</u> | <u>100</u> |
| | Liabilities and equity interests | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term borrowing (Note 16 and 28) | \$ 1,460,000 | 10 | \$ 1,530,000 | 10 |
| 2110 | Short-term notes and bills payable (Note 16) | 49,967 | - | - | - |
| 2130 | Current contract liabilities (Note 4 and 21) | 12,237 | - | 2,558 | - |
| 2170 | Accounts payable (Note 17) | 338,793 | 2 | 459,103 | 3 |
| 2180 | Accounts payable - related parties (Note 17 and 27) | 29,703 | - | 28,138 | - |
| 2219 | Other payables (Note 18) | 408,842 | 3 | 327,605 | 2 |
| 2220 | Other payables - related parties (Note 18 and 27) | 90,362 | 1 | 88,144 | 1 |
| 2230 | Current income tax liabilities (Note 23) | 70,982 | 1 | 106,765 | 1 |
| 2280 | Current lease liabilities (Note 4 and 14) | 4,588 | - | 3,838 | - |
| 2320 | Current portion of long-term liabilities (Note 16 and 28) | 727,500 | 5 | 915,000 | 6 |
| 2399 | Other current liabilities (Note 4) | 68,134 | - | 19,956 | - |
| 21XX | Total current liabilities | <u>3,261,108</u> | <u>22</u> | <u>3,481,107</u> | <u>23</u> |
| | Non-current liabilities | | | | |
| 2540 | Long-term borrowings (Note 16 and 28) | 1,612,500 | 11 | 1,900,000 | 13 |
| 2570 | Deferred income tax liabilities (Note 4, 5 and 23) | 1,087,074 | 7 | 1,024,106 | 7 |
| 2580 | Non-current lease liabilities (Note 4 and 14) | 3,645 | - | 2,829 | - |
| 2640 | Net defined benefit liability (Note 4 and 19) | 67,952 | - | 74,388 | - |
| 2645 | Guarantee deposits received | 4,018 | - | 4,018 | - |
| 25XX | Total non-current liabilities | <u>2,775,189</u> | <u>18</u> | <u>3,005,341</u> | <u>20</u> |
| 2XXX | Total liabilities | <u>6,036,297</u> | <u>40</u> | <u>6,486,448</u> | <u>43</u> |
| | Equity (Note 20) | | | | |
| 3110 | Capital stock – common | 3,978,181 | 27 | 3,978,181 | 27 |
| 3200 | Capital surplus | 145,330 | 1 | 145,330 | 1 |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 1,536,540 | 10 | 1,488,728 | 10 |
| 3320 | Special reserve | 504,790 | 4 | 648,571 | 4 |
| 3350 | Undistributed earnings | 2,858,770 | 19 | 2,320,928 | 16 |
| 3300 | Total retained earnings | <u>4,900,100</u> | <u>33</u> | <u>4,458,227</u> | <u>30</u> |
| 3400 | Other equity interest | (80,612) | (1) | (99,440) | (1) |
| 3XXX | Total equity | <u>8,942,999</u> | <u>60</u> | <u>8,482,298</u> | <u>57</u> |
| | Total liabilities and equity interests | <u>\$ 14,979,296</u> | <u>100</u> | <u>\$ 14,968,746</u> | <u>100</u> |

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2023 and 2022

| | | Unit: Thousand NTD, EPS in NTD | | | |
|-------------|---|--------------------------------|-----------|-------------------|-----------|
| <u>Code</u> | | <u>2023</u> | | <u>2022</u> | |
| | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| 4000 | Net operating revenues (Note 4, 21 and 27) | \$7,586,555 | 100 | \$8,941,654 | 100 |
| 5000 | Operating costs (Note 10, 22 and 27) | <u>6,458,228</u> | <u>85</u> | <u>7,669,714</u> | <u>86</u> |
| 5900 | Operating margin | 1,128,327 | 15 | 1,271,940 | 14 |
| 5910 | Realized (and unrealized) gains from subsidiaries | <u>63,815</u> | <u>1</u> | (<u>49,165</u>) | <u>-</u> |
| 5950 | Realized operating margin | <u>1,192,142</u> | <u>16</u> | <u>1,222,775</u> | <u>14</u> |
| | Operating expenses (Notes 9, 22 and 27) | | | | |
| 6100 | Selling expenses | 320,439 | 4 | 296,265 | 3 |
| 6200 | Administrative expenses | 397,252 | 5 | 320,523 | 4 |
| 6300 | Research and development expenses | 248,875 | 4 | 227,555 | 3 |
| 6450 | Expected credit impairment loss (gain) | (<u>2,379</u>) | <u>-</u> | <u>1,836</u> | <u>-</u> |
| 6000 | Total operating expenses | <u>964,187</u> | <u>13</u> | <u>846,179</u> | <u>10</u> |
| 6900 | Operating net profit | <u>227,955</u> | <u>3</u> | <u>376,596</u> | <u>4</u> |
| | Non-operating income and expenses (Note 22 and 27) | | | | |
| 7100 | Interest income | 58,772 | 1 | 10,357 | - |
| 7010 | Other income | 47,656 | 1 | 83,565 | 1 |
| 7020 | Other profits and losses | (62,778) | (1) | 183,405 | 2 |
| 7050 | Financial costs | (72,248) | (1) | (55,692) | (1) |
| 7070 | Share of profits (losses) of subsidiaries accounted for using equity method | <u>701,351</u> | <u>9</u> | (<u>23,003</u>) | <u>-</u> |
| 7000 | Total non-operating income and expenses | <u>672,753</u> | <u>9</u> | <u>198,632</u> | <u>2</u> |

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| Code | | 2023 | | 2022 | |
|------|--|-------------------|-----------|---------------------|-----------|
| | | Amount | % | Amount | % |
| 7900 | Pre-tax profit | \$ 900,708 | 12 | \$ 575,228 | 6 |
| 7950 | Income tax expense (Note 4 and 23) | <u>140,434</u> | <u>2</u> | <u>105,114</u> | <u>1</u> |
| 8200 | Net profit for the year | <u>760,274</u> | <u>10</u> | <u>470,114</u> | <u>5</u> |
| | Other comprehensive income | | | | |
| | Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 | Remeasurements of the net defined benefit (Note 19) | (52) | - | 6,215 | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20) | 32,019 | - | 202 | - |
| 8330 | Share of other comprehensive income of subsidiaries accounted for using equity method | 12,389 | - | 3,869 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23) | <u>10</u> | <u>-</u> | (<u>1,243</u>) | <u>-</u> |
| 8310 | | <u>44,366</u> | <u>-</u> | <u>9,043</u> | <u>-</u> |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | | | |
| 8380 | Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20) | (<u>25,684</u>) | <u>-</u> | <u>548,098</u> | <u>6</u> |
| 8300 | Other consolidated income (net income after tax) | <u>18,682</u> | <u>-</u> | <u>557,141</u> | <u>6</u> |
| 8500 | Total comprehensive income | <u>\$ 778,956</u> | <u>10</u> | <u>\$ 1,027,255</u> | <u>11</u> |
| | EPS (Note 24) | | | | |
| 9710 | Basic | <u>\$ 1.91</u> | | <u>\$ 1.18</u> | |
| 9810 | Diluted | <u>\$ 1.90</u> | | <u>\$ 1.18</u> | |

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2023 and 2022

Unit: Thousand NTD

| Code | | Capital stock – common | Capital surplus | Retained earnings | | | Other equity interests | | Subtotal | Total equity |
|------|---|---------------------------|-----------------|-------------------|-----------------|------------------------|---|---|--------------|--------------|
| | | | | Legal reserve | Special reserve | Undistributed earnings | Exchange differences arising from the translation of the financial statements of foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | |
| A1 | Balance as at January 1, 2022 | \$3,978,181 | \$ 142,438 | \$1,477,569 | \$ 513,828 | \$2,187,615 | (\$ 676,886) | \$ 28,315 | (\$ 648,571) | \$7,651,060 |
| | Appropriation and distribution of 2021 earnings (Note 20) | | | | | | | | | |
| B1 | Legal reserve | - | - | 11,159 | - | (11,159) | - | - | - | - |
| B3 | Allocation to special reserve | - | - | - | 134,743 | (134,743) | - | - | - | - |
| B5 | Cash dividends | - | - | - | - | (198,909) | - | - | - | (198,909) |
| | | - | - | 11,159 | 134,743 | (344,811) | - | - | - | (198,909) |
| C17 | Dividends not collected by shareholders before the deadline | - | 2,892 | - | - | - | - | - | - | 2,892 |
| D1 | Net profit - 2022 | - | - | - | - | 470,114 | - | - | - | 470,114 |
| D3 | Other comprehensive income after tax - 2022 | - | - | - | - | 8,010 | 548,098 | 1,033 | 549,131 | 557,141 |
| D5 | Total comprehensive income - 2022 | - | - | - | - | 478,124 | 548,098 | 1,033 | 549,131 | 1,027,255 |
| Z1 | Balance as at December 31, 2022 | 3,978,181 | 145,330 | 1,488,728 | 648,571 | 2,320,928 | (128,788) | 29,348 | (99,440) | 8,482,298 |
| | Appropriation and distribution of 2022 earnings (Note 20) | | | | | | | | | |
| B1 | Legal reserve | - | - | 47,812 | - | (47,812) | - | - | - | - |
| B3 | Reversal of special reserve | - | - | - | (143,781) | 143,781 | - | - | - | - |
| B5 | Cash dividends | - | - | - | - | (318,255) | - | - | - | (318,255) |
| | | - | - | 47,812 | (143,781) | (222,286) | - | - | - | (318,255) |
| D1 | Net profit - 2023 | - | - | - | - | 760,274 | - | - | - | 760,274 |
| D3 | Other comprehensive income after tax - 2023 | - | - | - | - | (146) | (25,684) | 44,512 | 18,828 | 18,682 |
| D5 | Total comprehensive income - 2023 | - | - | - | - | 760,128 | (25,684) | 44,512 | 18,828 | 778,956 |
| Z1 | Balance as at December 1, 2023 | \$3,978,181 | \$ 145,330 | \$1,536,540 | \$ 504,790 | \$2,858,770 | (\$ 154,472) | \$ 73,860 | (\$ 80,612) | \$8,942,999 |

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.
Cash Flow Statement
Years ended December 31, 2023 and 2022

Unit: Thousand NTD

| Code | | 2023 | 2022 |
|--------|---|------------|------------|
| | Cash flow from operating activities | | |
| A10000 | Net profit before tax | \$ 900,708 | \$ 575,228 |
| A20010 | Revenues and expenses | | |
| A20100 | Depreciation expense | 319,604 | 367,427 |
| A20200 | Amortization expense | 9,150 | 9,817 |
| A20300 | Expected credit impairment loss (gain) | (2,379) | 1,836 |
| A20400 | Net losses (gains) from financial instruments at fair value through profit or loss | (6,265) | 8,345 |
| A20900 | Financial costs | 72,248 | 55,692 |
| A21200 | Interest income | (58,772) | (10,357) |
| A21300 | Dividend income | (1,639) | (2,300) |
| A22400 | Share of profits (losses) of subsidiaries accounted for using equity method | (701,351) | 23,003 |
| A22500 | Net losses (gains) on disposal of property, plant and equipment | (616) | 84,840 |
| A23700 | Impairment loss on property, plant and equipment | 67,754 | - |
| A23800 | Gain on recovery on inventory devaluation | (56,995) | (104,781) |
| A24100 | Realized (and unrealized) gains from subsidiaries | (63,815) | 49,165 |
| A29900 | Loss (profit) on physical inventory | 3,891 | (595) |
| A29900 | Other | 40,000 | - |
| A30000 | Net changes in operating assets and liabilities | | |
| A31130 | Notes receivable | (10,120) | (3,378) |
| A31150 | Accounts receivable | 95,466 | (116,826) |
| A31160 | Accounts receivable – related parties | 41,423 | 110,396 |
| A31180 | Other receivables | (1,655) | 1,451 |
| A31190 | Other receivables - related parties | 58,040 | 82,574 |
| A31200 | Inventories | 311,066 | 359,801 |
| A31230 | Advance payments | 24,416 | 43,759 |
| A31240 | Other current assets | 1,825 | (3,031) |
| A32125 | Contract liabilities | 9,679 | 343 |
| A32150 | Accounts payable | (120,310) | (37,242) |
| A32160 | Accounts payable - related parties | 1,565 | 11,985 |
| A32180 | Other payables | 76,140 | 55,762 |
| A32190 | Other payables - related parties | 2,218 | 24,083 |
| A32230 | Other current liabilities | 8,178 | (2,868) |

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| Code | | 2023 | 2022 |
|--------|---|---------------------|---------------------|
| A32240 | Net defined benefit liability | (\$ 6,488) | (\$ 15,993) |
| A33000 | Cash generated from operating activities | 1,012,966 | 1,568,136 |
| A33100 | Interest received | 49,380 | 9,445 |
| A33200 | Dividend received | 9,338 | 14,310 |
| A33300 | Interest paid | (74,067) | (55,620) |
| A33500 | Income tax paid | (124,920) | (77,810) |
| AAAA | Net cash inflow from operating activities | <u>872,697</u> | <u>1,458,461</u> |
| | Cash flow from investing activities | | |
| B02700 | Acquisition of property, plant and equipment | (140,062) | (124,208) |
| B04300 | Other receivables - increase of related parties | (100,000) | (100,000) |
| B04400 | Other receivables - decrease of related parties | 100,000 | - |
| B02800 | Proceeds from disposal of property, plant and equipment | 1,340 | 285 |
| B03800 | Decrease in refundable deposits | 150 | - |
| B04500 | Acquisition of intangible assets | (580) | - |
| B06500 | Increase of other financial assets | (357,338) | (58,740) |
| BBBB | Net cash outflow from investing activities | <u>(496,490)</u> | <u>(282,663)</u> |
| | Cash flow from financing activities | | |
| C00100 | Increase in short-term borrowings | - | 160,000 |
| C00200 | Decrease in short-term borrowings | (70,000) | - |
| C00500 | Increase in short-term notes and bills payable | 50,000 | - |
| C00600 | Decrease in short-term notes and bills payable | - | (50,000) |
| C01600 | Increase in long-term borrowing | 440,000 | 660,000 |
| C01700 | Repayment of long-term borrowing | (915,000) | (935,000) |
| C03100 | Decrease in guarantee deposits received | - | (4,494) |
| C04020 | Repayments of lease liabilities | (4,652) | (5,157) |
| C04500 | Distribution of cash dividends | (318,255) | (198,909) |
| C09900 | Returned unclaimed dividends | - | <u>2,892</u> |
| CCCC | Net cash outflow from financing activities | <u>(817,907)</u> | <u>(370,668)</u> |
| EEEE | Increase (decrease) in cash and cash equivalents | (441,700) | 805,130 |
| E00100 | Cash and cash equivalents at beginning of period | <u>1,560,873</u> | <u>755,743</u> |
| E00200 | Cash and cash equivalents at end of period | <u>\$ 1,119,173</u> | <u>\$ 1,560,873</u> |

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd.

Notes to Financial Statements

Years ended December 31, 2023 and 2022

(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") was established in June 1973, and main business items include the manufacturing and sales of artificial leather, synthetic resin, and other materials.

The Company was approved to be listed on the Taiwan Stock Exchange in November 1985.

The standalone financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The standalone financial statements were approved by the Board of Directors on March 6, 2024.

III. Application of New Standards, Amendments, and Interpretations

(I) Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (hereinafter collectively referred to as the "IFRS Accounting Standards") as endorsed and announced by the Financial Supervisory Commission (FSC) for the first time

The application of the amended IFRS Accounting Standards endorsed and announced by the FSC will not result in any major changes to the accounting policy of the Company.

(II) Application of the IFRS Accounting Standards as endorsed by the FSC in 2024

| New, Revised or Amended Standards and Interpretations | Effective date of the International Accounting Standards Board (IASB) (Note 1) |
|---|--|
| Amendments to IFRS 16 "lease liability in a sale and leaseback" | January 1, 2024 (Note 2) |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1) | January 1, 2024 |
| Amendments to IAS 1 "non-current liabilities with covenants" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 17 "supplier finance arrangements" | January 1, 2024 (Note 3) |

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: A seller-lessee applies the amendments of IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The first application of this amendment is exempted from certain disclosure requirements.

As of the date the standalone financial statements were passed, the Company has determined that the abovementioned amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

(III) New standards, interpretations, and amendments were issued by IASB but not yet included in the IFRS Accounting Standards as endorsed and announced by the FSC

| New, Revised or Amended Standards and Interpretations | Effective date of the IASB (Note 1) |
|--|-------------------------------------|
| Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | Not determined |
| IFRS 17 Insurance Contracts | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "initial application of IFRS 17 and IFRS 9 - comparative information" | January 1, 2023 |
| Amendments to IAS 21 | January 1, 2025 (Note 2) |

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: Applicable to the annual reporting period starting after January 1, 2025. For the initial application of the amendment, the effect is recognized in retained earnings on the date of initial application. When the Company uses non-functional currency as the presentation currency, the effect will be adjusted to the exchange difference of overseas operations under equity on the date of initial application.

As of the date the standalone financial statements were passed, the Company had been continuing to evaluate the impact of the amendments to the abovementioned standards and interpretations on its financial position, financial performance, and the relevant impact will be disclosed when it is completed.

IV. Summarized Remarks on Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at defined benefit liabilities less fair value of assets of the defined benefit plans, these standalone financial statements have been prepared based on historical cost.

Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

1. Level 1 input values: Refers to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2 input values: Refers to directly (i.e., prices) or indirectly (i.e., derived from prices) observable input values of assets or liabilities other than level 1 quoted prices.
3. Level 3 input values: Refers to unobservable input values of assets or liabilities.

The Company used the equity method for subsidiaries when preparing the standalone financial statements. For profit/loss, other comprehensive income, and equity in the current year in the standalone financial statements to match the profit/loss, other comprehensive income, and equity attributable to owners of the Company in the consolidated financial statements, "investments recognized under the equity method," "share of profits/losses of subsidiaries under the equity method," "share of other comprehensive income of subsidiaries under the equity method," and related equity items were adjusted for several accounting differences between the standalone and consolidated basis.

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

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalents (except those that are restricted as they will be swapped or used to repay liabilities more than 12 months after the balance sheet date)

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities that are to be paid off within twelve months from the balance sheet date; and
3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

Assets and liabilities that are not classified as current assets or current liabilities above are classified as non-current assets or non-current liabilities.

(IV) Foreign currencies

When the Company was preparing the standalone financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. The currency translation difference

resulting from settlement or conversion of monetary items is recognized as income or loss in the current period.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the standalone financial statements, assets and liabilities of overseas operations (including country of operations and subsidiaries that use different currencies than the Company) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

(V) Inventories

Inventory includes raw materials, raw materials, work in process, and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. Inventories are usually calculated at standard cost, and then adjusted to its weighted average cost when settling accounts.

(VI) Investment subsidiary

The Company handles investments in subsidiaries using the equity method. A subsidiary refers to an entity in which the Company exercises control.

Under the equity method, investments are originally recognized at cost, and then its book value increases along with the Company's share of profits, losses and other comprehensive income of subsidiaries and profit distribution. Furthermore, changes to other equity interests of subsidiaries are recognized according to the Company's shareholding ratio.

Changes in the Company's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions. The difference between the book value of investments and the fair value of the consideration paid or received is directly recognized in equity.

Unrealized gains from downstream transactions between the Company and subsidiaries are eliminated from the standalone financial statements. Gains/losses arising from upstream transactions between the Company and subsidiaries and transactions among subsidiaries were not within the scope of control exercised by the Company over subsidiaries, and were thus recognized in the standalone financial statements.

(VII) Property, plant and equipment

Property, plant and equipment are recognized at cost, and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. Such assets are measured at the cost or net realizable value until they reach the expected state of use, whichever is lower, and their sales price and cost are recognized in profit or loss. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Except for self-owned land, for which depreciation is not recognized, depreciation is separately recognized for each major part of property, plant and equipment on a straight line basis over its useful life. The Company reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(VIII) Investment properties

Investment properties are real estate properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment property is recognized on a straight-line basis.

When property under property, plant and equipment is no longer for self-use, its book value is transferred to investment property.

When derecognizing investment property, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Intangible assets

1. Independently acquired

Independently acquired intangible assets (computer software) with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Company reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

2. Internal production – R&D expenses

Research expenses are recognized as expenses when incurred.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(X) Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets is allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

When impairment losses are reversed, the book value of the asset, cash-generating unit, or contract cost related asset is increased to the revised recoverable amount. However, the increased book value may not exceed the asset, cash-generating unit, or contract cost related asset's book value in the previous year before impairment loss was recognized (less depreciation and amortization). Reversal of impairment losses is listed in income.

(XI) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities are recognized in the standalone balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

(1) Type of measurement

Financial assets held by the Company include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss.

For financial assets at fair value through profit or loss, any interest accrued is recognized in interest income, and any profit or loss from the remeasurement of fair value is recognized in other profits and losses.

B. Financial assets at amortized cost

Financial assets that the Company invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

- a. Held under a certain business model that aims to collect cash flow from the financial asset; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost (including related parties), other receivables (including related parties), other financial assets, and refundable deposits), they are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

Credit-impaired financial assets mean that the debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

C. Investments in equity instruments measured at fair value through other comprehensive income

The Company may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Company is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets

The Company evaluates the impairment loss of financial assets at amortized cost (including notes and accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for notes and accounts receivables. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the

Company may deem a financial asset to be in default if there is internal or external information showing that the debtor is no longer able to repay debts without considering collateral.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2. Equity instruments

Equity instruments issued by the Company are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in income or loss.

(XII) Provisions for liabilities

The amount recognized as provisions for liabilities takes into account the risks and uncertainties of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liabilities is measured at the discounted value of the estimated

cash flow of the obligation of settlement.

(XIII) Revenue recognition

After the Company identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

Income from sale of merchandise

Income from sale of merchandise comes from the sale of synthetic leather. According to the contract, when synthetic leather is delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of sales and risk of products becoming obsolete. The Company recognizes accounts receivable upon delivery. Unearned revenues from sale of goods is recognized as contract liabilities.

(XIV) Lease

On the date a contract is formed, the Company evaluates if the contract is (or includes) a lease.

1. Where the Company is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership to the lessee. All other lease arrangements are classified as operating lease.

When the Company is sub-leasing right-of-use assets, the sub-lease category is determined based on the right-of-use asset (and not the underlying asset). However, if the primary lease is a short-term lease that the Company is exempted from recognition, then the sub-lease is classified as an operating lease.

Under an operating lease arrangement, the proceeds received are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost, and are subsequently measured at cost less accumulated depreciation and

accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the standalone balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. Lease liabilities are independently presented in the standalone balance sheet.

(XV) Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction, or production of qualified assets shall be recognized as a part of asset costs, until almost all necessary activities for the asset to reach its expected state of use or sale.

If a specific loan is used for a temporary investment and obtains investment gains before a qualified capital expenditure occurs, the gains shall be deducted from borrowing costs that qualify for capitalization.

All other borrowing costs are recognized as losses in the period they occur.

(XVI) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Company will comply with the attached conditions and that the grants will be received.

If income-related government subsidies are provided in the period that the costs they intend to cover are recognized by the Company as expenses, they are systematically recognized by reducing the costs or recognized in other income.

If the government subsidies are compensation for expenses or losses that have already occurred, or aim to provide the Company with immediate

financial support and do not have any related costs in the future, then they are recognized as income in the period they are received.

(XVII) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; net defined benefit liability is the deficit of contributions to defined benefit plans.

The cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current period) and net interest accrued on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses, changes in asset limit effects, return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

(XVIII) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

The Company determines current income (loss) according to the regulations enacted by the R.O.C. and calculates the income tax payable (recoverable) on this basis.

Income tax on undistributed earnings is calculated in accordance with the Income Tax Act of the R.O.C. and recognized in the year the resolution is adopted by the shareholders' meeting.

An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities on the standalone financial statements from the taxable income that was calculated.

Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Company is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments and equity are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Company expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

When the Company adopts an accounting policy, management must make judgments, estimates, and assumptions based on historical experience and other factors for information that is difficult to obtain from other sources. Actual results may be different from estimates.

The Company took the possible impact on the economic environment into consideration of cash flow estimates, growth rates, discount rates, profitability and other relevant major accounting estimates when developing major accounting estimates, and the management will continue to examine estimates and basic assumptions.

(I) Inventory impairments

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

(II) Income tax

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT\$546,819 thousand and NT\$473,349 thousand for the years ended December 31, 2023 and 2022, respectively. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

VI. Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Cash on hand and working capital | \$ 436 | \$ 907 |
| Bank check and demand deposits | 995,917 | 1,304,184 |
| Cash equivalents | | |
| Time deposits within 3 months of its original maturity date | 122,820 | 194,362 |
| Bonds issued under repurchase agreement | - | 61,420 |
| | <u>\$ 1,119,173</u> | <u>\$ 1,560,873</u> |

The market interest rate range for cash equivalents on the balance sheet date is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Cash equivalents | | |
| Time deposits within 3 months of its original maturity date (%) | 5.3~5.6 | 2.2~4.8 |
| Bonds issued under repurchase agreement | - | 4.4~4.5 |

VII. Financial instruments at fair value through profit or loss - current

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Financial assets for which the fair value is required to be measured through profit or loss | | |
| Fund beneficiary certification | <u>\$ 100,589</u> | <u>\$ 94,324</u> |

VIII. Non-current financial assets at fair value through other comprehensive income

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Investments in equity instruments measured at fair value through other comprehensive income | | |
| Listed stock in Taiwan | \$ 84,461 | \$ 52,662 |
| Unlisted stock in Taiwan | 4,773 | 4,553 |
| | <u>\$ 89,234</u> | <u>\$ 57,215</u> |

IX. Notes and accounts receivable

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| <u>Arising from operation</u> | | |
| Notes receivable – unrelated parties | | |
| Measured at amortized cost | | |
| Total book value | <u>\$ 24,507</u> | <u>\$ 14,387</u> |
| Accounts receivable – unrelated parties | | |
| Measured at amortized cost | | |
| Total book value | \$ 614,225 | \$ 709,691 |
| Less: Loss provision | <u>2,397</u> | <u>4,776</u> |
| | <u>\$ 611,828</u> | <u>\$ 704,915</u> |
| Accounts receivable – related parties | | |
| Measured at amortized cost | | |
| Total book value | <u>\$ 272,531</u> | <u>\$ 313,954</u> |

The Company's average credit period for sale of goods is open account 30-90 days. Designated personnel of the Company are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Company will verify the recoverable amount of receivables on the balance sheet date to ensure that unrecoverable receivables already properly listed as impairment losses. On this basis, management of the Company believes that its credit risk has significantly decreased.

The Company recognizes a loss provision for lifetime ECLs for accounts receivables. Lifetime expected credit losses are calculated using an provision matrix, which takes into consideration the customer's previous default record, current financial situation, industrial and economic trends, and industry outlook. Past experience of the Company relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups, and expected credit loss rate is only set by the number of days receivables are overdue.

The aging analysis of the Company's receivables based on the overdue date and the loss provision are as follows:

December 31, 2023

| | Not past due | 1~90 days late | 91~180 days late | 181~360 days late | More than 361 days late | Total |
|-------------------------------|-------------------|-------------------|------------------|-------------------|-------------------------|-------------------|
| Expected credit loss rate (%) | - | 0~0.02 | 0.04~0.12 | 0.12 | 72 | |
| Total book value | \$ 791,785 | \$ 115,678 | \$ 460 | \$ 30 | \$ 3,310 | \$ 911,263 |
| Loss provision (lifetime ECL) | - | (1) | - | - | (2,396) | (2,397) |
| Amortized cost | <u>\$ 791,785</u> | <u>\$ 115,677</u> | <u>\$ 460</u> | <u>\$ 30</u> | <u>\$ 914</u> | <u>\$ 908,866</u> |

December 31, 2022

| | Not past due | 1~90 days late | 91~180 days late | 181~360 days late | More than 361 days late | Total |
|-------------------------------|-------------------|-------------------|------------------|-------------------|-------------------------|--------------------|
| Expected credit loss rate (%) | - | 0.01~0.07 | 0.09~0.69 | 1.01~37.4 | 66 | |
| Total book value | \$ 884,777 | \$ 142,397 | \$ 2,274 | \$ 3,147 | \$ 5,437 | \$1,038,032 |
| Loss provision (lifetime ECL) | - | (16) | (1) | (1,152) | (3,607) | (4,776) |
| Amortized cost | <u>\$ 884,777</u> | <u>\$ 142,381</u> | <u>\$ 2,773</u> | <u>\$ 1,995</u> | <u>\$ 1,830</u> | <u>\$1,033,256</u> |

Information on changes to loss provision for receivables is as follows:

| | 2023 | | 2022 | |
|--|---------------------|---------------------|-------------------|-----------------|
| | Accounts receivable | Accounts receivable | Other receivables | Total |
| Opening balance | \$ 4,776 | \$ 3,898 | \$ - | \$ 3,898 |
| Allocated (reversed) in the current year | (2,379) | 878 | 958 | 1,836 |
| Write-offs in the current year | - | - | (958) | (958) |
| Closing balance | <u>\$ 2,397</u> | <u>\$ 4,776</u> | <u>\$ -</u> | <u>\$ 4,776</u> |

X. Inventories

| | December 31, 2023 | December 31, 2022 |
|----------------------|---------------------|---------------------|
| Raw materials | \$ 497,964 | \$ 687,875 |
| Supplies | 26,502 | 16,610 |
| Work in process | 402,390 | 454,306 |
| Finished goods | 130,761 | 153,722 |
| Inventory in transit | 5,350 | 8,416 |
| | <u>\$ 1,062,967</u> | <u>\$ 1,320,929</u> |

Inventory-related operating costs amounted to NT\$6,458,228 thousand in 2023 and NT\$7,669,714 thousand in 2022, including:

| | 2023 | 2022 |
|---|---------------------|----------------------|
| Gain on recovery on inventory devaluation | (\$ 56,995) | (\$ 104,781) |
| Loss (profit) on physical inventory | 3,891 | (595) |
| Income from sale of scraps | (7,047) | (7,765) |
| | <u>(\$ 60,151)</u> | <u>(\$ 113,141)</u> |

The gain on recovery of inventory value was mainly due to the increase in net realizable value of inventory as a result of the increase in market price of inventory and the sales of inventory.

XI. Other financial assets

| | December 31, 2023 | December 31, 2022 |
|--|----------------------|----------------------|
| <u>Current</u> | | |
| Time deposits more than 3 months from its original maturity date | \$ 337,755 | \$ - |
| Pledged time deposits | 10,044 | - |
| | <u>\$ 347,799</u> | <u>\$ -</u> |
| Annual interest rate of time deposits (%) | 0.55~5.55 | - |
| <u>Noncurrent</u> | | |
| Restricted bank deposits | | |
| Time deposits | \$ 604,889 | \$ 445,295 |
| Demand deposits | - | 150,055 |
| | <u>\$ 604,889</u> | <u>\$ 595,350</u> |
| Annual interest rate of time deposits (%) | 4.9~5.55 | 4.35~4.9 |

- (I) Restricted bank deposits are deposited into a designated foreign currency deposits account by the Company in accordance with the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act". The use of funds is restricted by such Act.
- (II) The counterparties of time deposits of the Company are banks with good credit quality. As such, there is no significant compliance concerns, and no expected credit losses were evaluated.

(III) Please refer to Note 28 for information on other financial assets pledged.

XII. Investments recognized under the equity method

Investment subsidiary

| | December 31, 2023 | | December 31, 2022 | |
|---------------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | Amount | Sharehold ing ratio (%) | Amount | Sharehold ing ratio (%) |
| San Fang Development Co., Ltd. | \$ 1,802,985 | 100 | \$ 1,515,492 | 100 |
| Grand Capital Limited (GCL) | 5,480,361 | 100 | 4,974,538 | 100 |
| San Fang Financial Holdings Co., Ltd. | 10,266 | 100 | 10,243 | 100 |
| Forich Advanced Materials Co., Ltd. | 113,363 | 100 | 103,975 | 100 |
| Bestac Advanced Material Co., Ltd. | 38,257 | 100 | 96,812 | 100 |
| | \$ 7,445,232 | | \$ 6,701,060 | |

See Table 6 and Table 7 for a brief description of long-term investments.

Share of profits/losses and other comprehensive income of subsidiaries under the equity method were recognized based on the subsidiaries' 2023 and 2022 financial statements audited by an independent auditor.

XIII. Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|-----------------|----------------------|----------------------|
| Self-use | \$ 2,706,923 | \$ 2,941,932 |
| Operating lease | 103,416 | 93,178 |
| | \$ 2,810,339 | \$ 3,035,110 |

(I) Self-use

2023

| | Self-owned land | Buildings and structures | Machinery and equipment | Other facilities | Construction in progress and equipment under acceptance | Total |
|--|--------------------|--------------------------------|-------------------------------|---------------------|--|--------------------|
| <u>Cost</u> | | | | | | |
| Balance as at January 1, 2023 | \$1,467,428 | \$1,229,508 | \$3,027,472 | \$ 954,548 | \$ 67,438 | \$6,746,394 |
| Addition | - | 87,931 | 9,081 | 30,035 | (4,226) | 122,821 |
| Disposal | - | (3,449) | (1,985) | (24,597) | - | (30,031) |
| Balance as at December 1, 2023 | <u>\$1,467,428</u> | <u>\$1,313,990</u> | <u>\$3,034,568</u> | <u>\$ 959,986</u> | <u>\$ 63,212</u> | <u>\$6,839,184</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance as at January 1, 2023 | \$ - | \$ 838,932 | \$2,339,938 | \$ 625,592 | \$ - | \$3,804,462 |
| Disposal | - | (3,321) | (1,985) | (24,001) | - | (29,307) |
| Depreciation expense | - | 42,296 | 181,903 | 65,153 | - | 289,352 |
| Impairment loss provided | - | - | 53,355 | 14,399 | - | 67,754 |
| Balance as at December 1, 2023 | <u>\$ -</u> | <u>\$ 877,907</u> | <u>\$2,573,211</u> | <u>\$ 681,143</u> | <u>\$ -</u> | <u>\$4,132,261</u> |
| Net amount as at December 31, 2023 | <u>\$1,467,428</u> | <u>\$ 436,083</u> | <u>\$ 461,357</u> | <u>\$ 278,843</u> | <u>\$ 63,212</u> | <u>\$2,706,923</u> |

2022

| | Self-owned land | Buildings and structures | Machinery and equipment | Other facilities | Construction in progress and equipment under acceptance | Total |
|---|--------------------|--------------------------------|-------------------------------|---------------------|--|--------------------|
| <u>Cost</u> | | | | | | |
| Balance as at January 1, 2022 | \$1,467,428 | \$1,227,376 | \$3,545,196 | \$ 997,636 | \$ 86,469 | \$7,324,105 |
| Addition | - | 11,236 | 71,511 | 36,914 | (18,005) | 101,656 |
| Disposal | - | (5,628) | (582,510) | (79,202) | (1,026) | (668,366) |
| Transferred to assets leased under an operating lease | - | (3,476) | (6,725) | (800) | - | (11,001) |
| Balance as at December 31, 2022 | <u>\$1,467,428</u> | <u>\$1,229,508</u> | <u>\$3,027,472</u> | <u>\$ 954,548</u> | <u>\$ 67,438</u> | <u>\$6,746,394</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance as at January 1, 2022 | \$ - | \$ 803,318 | \$2,640,611 | \$ 617,755 | \$ - | \$4,061,684 |
| Disposal | - | (5,561) | (510,852) | (66,828) | - | (583,241) |
| Transferred to assets leased under an operating lease | - | (1,213) | (6,725) | (657) | - | 8,595 |
| Depreciation expense | - | 42,388 | 216,904 | 75,322 | - | 334,614 |
| Balance as at December 31, 2022 | <u>\$ -</u> | <u>\$ 838,932</u> | <u>\$2,339,938</u> | <u>\$ 625,592</u> | <u>\$ -</u> | <u>\$3,804,462</u> |
| Net amount as at December 31, 2022 | <u>\$1,467,428</u> | <u>\$ 390,576</u> | <u>\$ 687,534</u> | <u>\$ 328,956</u> | <u>\$ 67,438</u> | <u>\$2,941,932</u> |

Depreciation of the Company's property, plant and equipment is recognized on a straight-line basis according to the following useful life in years:

| | |
|---|-------------|
| Buildings and structures | |
| Factory and office building | 30-50 years |
| Construction system and enclosure wall | 15-28 years |
| Other | 7-10 years |
| Machinery and equipment | |
| Embossing machine, grinding machine, and thermal oil boiler | 20-30 years |
| Non-woven fabric machine and its auxiliary facilities | 8-19 years |
| Other | 3-9 years |
| Other facilities | |
| Pond and gardening | 30-34 years |
| Pipelines | 20-28 years |
| Other | 1-15 years |

The Company evaluated in 2023 that due to the impact of changes in market demand for specific products, the Kaohsiung plant expected that the future economic benefits of the equipment used to produce specific products would decline, resulting in its recoverable amount being less than the book value. Therefore, an impairment loss of NT\$67,754 thousand was provided and included in other profits and losses in the statement of comprehensive income.

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

(II) Operating lease

2023

| | Buildings and structures | Machinery and equipment | Other facilities | Total |
|--|-----------------------------|----------------------------|-------------------|---------------------|
| <u>Cost</u> | | | | |
| Balance as at January 1, 2023 | \$ 223,217 | \$ 804,337 | \$ 178,896 | \$ 1,206,450 |
| Addition | 6,748 | 3,118 | 25,131 | 34,997 |
| Disposal | - | - | (4,848) | (4,848) |
| Balance as at December 1, 2023 | <u>\$ 229,965</u> | <u>\$ 807,455</u> | <u>\$ 199,179</u> | <u>\$ 1,236,599</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance as at January 1, 2023 | \$ 177,541 | \$ 778,747 | \$ 156,984 | \$ 1,113,272 |
| Disposal | - | - | (4,848) | (4,848) |
| Depreciation expense | 5,079 | 13,274 | 6,406 | 24,759 |
| Balance as at December 1, 2023 | <u>\$ 182,620</u> | <u>\$ 792,021</u> | <u>\$ 158,542</u> | <u>\$ 1,133,183</u> |
| Net amount as at December 31, 2023 | <u>\$ 47,345</u> | <u>\$ 15,434</u> | <u>\$ 40,637</u> | <u>\$ 103,416</u> |

2022

| | Buildings and structures | Machinery and equipment | Other facilities | Total |
|--|-----------------------------|----------------------------|-------------------|---------------------|
| <u>Cost</u> | | | | |
| Balance as at January 1, 2022 | \$ 201,849 | \$ 831,531 | \$ 178,096 | \$ 1,211,476 |
| From self-use assets | 3,476 | 6,725 | 800 | 11,001 |
| Addition | 18,182 | - | - | 18,182 |
| Disposal | (290) | (33,919) | - | (34,209) |
| Balance as at December 31, 2022 | <u>\$ 223,217</u> | <u>\$ 804,337</u> | <u>\$ 178,896</u> | <u>\$ 1,206,450</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance as at January 1, 2022 | \$ 171,638 | \$ 790,206 | \$ 150,228 | \$ 1,112,072 |
| Disposal | (290) | (33,919) | - | (34,209) |
| From self-use assets | 1,213 | 6,725 | 657 | 8,595 |
| Depreciation expense | 4,980 | 15,735 | 6,099 | 26,814 |
| Balance as at December 31, 2022 | <u>\$ 177,541</u> | <u>\$ 778,747</u> | <u>\$ 156,984</u> | <u>\$ 1,113,272</u> |
| Net amount as at December 31, 2022 | <u>\$ 45,676</u> | <u>\$ 25,590</u> | <u>\$ 21,912</u> | <u>\$ 93,178</u> |

The Company leased buildings, machinery and equipment, other equipment, and right-of-use assets - transportation equipment to related parties under operating leases (Note 27) with a lease term to December 2024. The tenant does not have preemptive rights over the asset when the lease term expires. The sum of lease payments for operating leases in the coming year is NT\$22,680 thousand.

Depreciation expenses is calculated on a straight-line basis over the useful years below:

| | |
|--------------------------|------------|
| Buildings and structures | |
| Plant | 7-35 years |
| Machinery and equipment | 6-21 years |
| Other facilities | 1-28 years |

Please refer to Note 28 for property, plant and equipment pledged by the Company as collateral for loans.

The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Investing activities that affect both cash and non-cash items | | |
| Increase in property, plant and equipment | \$ 157,818 | \$ 119,838 |
| Increase (Decrease) in advance payments for equipment | (10,873) | 4,620 |
| Decrease (Increase) in payables on equipment | (5,228) | 409 |
| Capitalization of interest | (1,655) | (659) |
| Payments in cash for the acquisition of property, plant and equipment | <u>\$ 140,062</u> | <u>\$ 124,028</u> |

XIV. Lease agreement

(I) Right-of-use assets

2023

| | Buildings and structures | Transportatio n equipment | Total |
|------------------------------------|--------------------------------|------------------------------|------------------|
| <u>Cost</u> | | | |
| Balance as at January 1, 2023 | \$ 6,497 | \$ 8,124 | \$ 14,621 |
| Addition | - | 6,218 | 6,218 |
| Disposal | - | (2,465) | (2,465) |
| Balance as at December 1, 2023 | <u>\$ 6,497</u> | <u>\$ 11,877</u> | <u>\$ 18,374</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance as at January 1, 2023 | \$ 4,151 | \$ 3,820 | \$ 7,971 |
| Disposal | - | (2,465) | (2,465) |
| Depreciation expense | 1,083 | 3,543 | 4,626 |
| Balance as at December 1, 2023 | <u>\$ 5,234</u> | <u>\$ 4,898</u> | <u>\$ 10,132</u> |
| Net amount as at December 31, 2023 | <u>\$ 1,263</u> | <u>\$ 6,979</u> | <u>\$ 8,242</u> |

2022

| | Buildings and structures | Transportatio n equipment | Total |
|------------------------------------|--------------------------------|------------------------------|------------------|
| <u>Cost</u> | | | |
| Balance as at January 1, 2022 | \$ 6,497 | \$ 11,541 | \$ 18,038 |
| Addition | - | 2,365 | 2,365 |
| Disposal | - | (5,782) | (5,782) |
| Balance as at December 31, 2022 | <u>\$ 6,497</u> | <u>\$ 8,124</u> | <u>\$ 14,621</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance as at January 1, 2022 | \$ 3,068 | \$ 5,553 | \$ 8,621 |
| Disposal | - | (5,782) | (5,782) |
| Depreciation expense | 1,083 | 4,049 | 5,132 |
| Balance as at December 31, 2022 | <u>\$ 4,151</u> | <u>\$ 3,820</u> | <u>\$ 7,971</u> |
| Net amount as at December 31, 2022 | <u>\$ 2,346</u> | <u>\$ 4,304</u> | <u>\$ 6,650</u> |

(II) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---------------------------------|----------------------|----------------------|
| Book value of lease liabilities | | |
| Current | \$ 4,588 | \$ 3,838 |
| Noncurrent | \$ 3,645 | \$ 2,829 |

The discount rate of lease liabilities is 1.2-2%.

(III) Sub-lease: See Note 13 for details.

(IV) Other lease information

| | 2023 | 2022 |
|------------------------------------|----------|----------|
| Short term lease expenses | \$ 1,364 | \$ 1,221 |
| Lease expenses of low value assets | \$ 547 | \$ 550 |
| Total cash outflow from leases | \$ 6,657 | \$ 7,019 |

The Company chooses not to recognize right-of-use assets and lease liabilities from short-term leases and low value asset leases that the Company is exempted from recognizing.

XV. Investment properties

2023

| Cost | Completed investment properties |
|---|---------------------------------------|
| Balance as at January 1 and December 31, 2023 | \$ 140,473 |
| Accumulated depreciation | |
| Balance as at January 1, 2023 | \$ 30,417 |
| Depreciation expense | 867 |
| Balance as at December 1, 2023 | \$ 31,284 |
| Net amount as at December 31, 2023 | \$ 109,189 |

2022

| Cost | Completed investment properties |
|---|---------------------------------------|
| Balance as at January 1 and December 31, 2022 | \$ 140,473 |
| Accumulated depreciation | |
| Balance as at January 1, 2022 | \$ 29,550 |
| Depreciation expense | 867 |
| Balance as at December 31, 2022 | \$ 30,417 |
| Net amount as at December 31, 2022 | \$ 110,056 |

The lease term of investment property is 10 years. The tenant does not have right of first refusal over the investment property when the lease term expires.

The Company's investment properties consists of land, buildings, and structures in Songshan District, Taipei City. They are the Company's own equity, and depreciation of buildings and structures is recognized on a straight-line basis over a useful life of 60 years. Please refer to Note 28 for investment property provided as collateral for loans.

The sum of future lease payments for operating leases of investment property is as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------|----------------------|----------------------|
| 1st year | \$ 9,493 | \$ 9,351 |
| 2nd year | 9,634 | 9,493 |
| 3rd year | 9,634 | 9,634 |
| 4th year | 9,778 | 9,634 |
| 5th year | 9,922 | 9,778 |
| Over 5 years | 4,961 | 14,883 |
| | \$ 53,422 | \$ 62,773 |

The Company implements a general risk management policy to reduce the residual asset risk of buildings when the lease term expires.

The fair value of the Company's investment properties was approximately NT\$370 million and NT\$390 million for the years ended December 31, 2023 and 2022, in which the fair value was estimated by the Company's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

| | December 31, 2023 | December 31, 2022 |
|---------------------------|----------------------|----------------------|
| Secured loans (Note 28) | | |
| Bank borrowings | \$ 780,000 | \$ 830,000 |
| Unsecured loans | | |
| Line of credit borrowings | 680,000 | 700,000 |
| | <u>\$ 1,460,000</u> | <u>\$ 1,530,000</u> |
| Annual interest rate (%) | 1.47~1.82 | 1.07~1.8 |

(II) Short-term notes and bills payable - Only December 31, 2023

Details of commercial paper payable that have not yet matured are as follows:

| Guarantor/Acceptance agency | Face value | Discounted amount | Book value | Interest Rate (%) |
|--------------------------------|------------------|----------------------|------------------|----------------------|
| China Bills | <u>\$ 50,000</u> | <u>\$ 33</u> | <u>\$ 49,967</u> | 1.4 |

(III) Long-term borrowings

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| Secured loans | | |
| Bank borrowings – Reaches maturity before May 2027 | \$ 1,090,000 | \$ 1,455,000 |
| Unsecured loans | | |
| Bank borrowings – Reaches maturity before September 2028 | \$ 1,250,000 | \$ 1,360,000 |
| | 2,340,000 | 2,815,000 |
| Less: Current portion | 727,500 | 915,000 |
| | <u>\$ 1,612,500</u> | <u>\$ 1,900,000</u> |
| Annual interest rate (%) | 1.78~2.325 | 1.37~2.18 |

XVII. Accounts payable

The Company's accounts payable are all derived from its business and transaction terms are separately negotiated. The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

XVIII. Other payables (including related parties)

| | December 31, 2023 | December 31, 2022 |
|--|----------------------|----------------------|
| Wages and salaries payable | \$ 195,947 | \$ 151,311 |
| Processing expenses payable | 90,177 | 87,382 |
| Employee bonuses and director remuneration payable | 57,493 | 35,100 |
| Commissions payable | 52,685 | 48,059 |
| Payables on equipment | 20,321 | 15,093 |
| Other | 82,581 | 78,804 |
| | <u>\$ 499,204</u> | <u>\$ 415,749</u> |

XIX. Post-employment benefits plan

(I) Defined contribution plan

The Company uses the defined contribution plan managed by the government according to the Labor Pension Act, and contributes 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system implemented by the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 4% of employees' monthly salaries and wages to the pension fund, which is then deposited into to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the standalone balance sheet is as follows:

| | December 31, 2023 | December 31, 2022 |
|--|----------------------|----------------------|
| Present value of defined benefit liabilities | \$ 95,778 | \$ 95,984 |
| Fair value of assets of the plans | (27,826) | (21,596) |
| Net defined benefit liability | <u>\$ 67,952</u> | <u>\$ 74,388</u> |

Changes in net defined benefit liabilities are as follows:

| | Present value of defined benefit liabilities | Fair value of assets of the plans | Net defined benefit liability |
|---|---|---|-------------------------------------|
| Balance as at January 1, 2023 | <u>\$ 95,984</u> | <u>(\$ 21,596)</u> | <u>\$ 74,388</u> |
| Service cost | | | |
| Service cost of the term | 1,138 | - | 1,138 |
| Interest expense (income) | <u>1,440</u> | <u>(340)</u> | <u>1,100</u> |
| Listed in income | <u>2,578</u> | <u>(340)</u> | <u>2,238</u> |
| Number of remeasurement | | | |
| Return on assets of the plans (except for amounts included in net interest) | - | (203) | (203) |
| Actuarial loss – Changes in financial assumption | 2,886 | - | 2,886 |
| Actuarial gains – experience adjustments | <u>(2,631)</u> | <u>-</u> | <u>(2,631)</u> |
| Recognized in other comprehensive income | <u>255</u> | <u>(203)</u> | <u>52</u> |
| Employer contributions | <u>-</u> | <u>(8,726)</u> | <u>(8,726)</u> |
| Benefits payment | <u>(3,039)</u> | <u>3,039</u> | <u>-</u> |
| Balance as at December 1, 2023 | <u>\$ 95,778</u> | <u>(\$ 27,826)</u> | <u>\$ 67,952</u> |
| Balance as at January 1, 2022 | <u>\$ 112,399</u> | <u>(\$ 15,803)</u> | <u>\$ 96,596</u> |
| Service cost | | | |
| Service cost of the term | 1,369 | - | 1,369 |
| Interest expense (income) | <u>843</u> | <u>(126)</u> | <u>717</u> |
| Listed in income | <u>2,212</u> | <u>(126)</u> | <u>2,086</u> |

(Continued on the next page)

(Continued from the previous page)

| | Present value of defined benefit liabilities | Fair value of assets of the plans | Net defined benefit liability |
|--|---|---|-------------------------------------|
| Number of remeasurement | | | |
| Return on assets of the plans (except for amounts included in net interest) | \$ - | (\$ 1,450) | (\$ 1,451) |
| Actuarial gains - Changes in financial assumption | (3,317) | - | (3,317) |
| Actuarial gains – experience adjustments | (1,448) | - | (1,448) |
| Recognized in other comprehensive income | (4,765) | (1,450) | (6,215) |
| Employer contributions | - | (18,079) | (18,079) |
| Benefits payment | (13,862) | 13,862 | - |
| Balance as at December 31, 2022 | <u>\$ 95,984</u> | <u>(\$ 21,596)</u> | <u>\$ 74,388</u> |

Summary of defined benefit plans recognized in income and loss by function:

| | 2023 | 2022 |
|-----------------------------------|-----------------|-----------------|
| Operating costs | \$ 1,072 | \$ 1,217 |
| Selling expenses | 201 | 172 |
| Administrative expenses | 606 | 433 |
| Research and development expenses | 359 | 264 |
| | <u>\$ 2,238</u> | <u>\$ 2,086</u> |

The Company is exposed to the following risks due to the pension system of the Labor Standards Act:

1. Investment risks

The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will also increase, and the effect of the two on defined benefit liabilities will offset each other.

3. Salary risk

Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Company is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

| | December 31, 2023 | December 31, 2022 |
|-----------------------------------|----------------------|----------------------|
| Discount rate (%) | 1.25 | 1.50 |
| Estimated salary growth ratio (%) | 2.50 | 2.50 |

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------|----------------------|----------------------|
| Discount rate | | |
| Increased 0.25% | (\$ 2,886) | (\$ 3,010) |
| Decreased 0.25% | \$ 3,006 | \$ 3,139 |
| Estimated salary growth ratio | | |
| Increased 0.25% | \$ 2,914 | \$ 3,050 |
| Decreased 0.25% | (\$ 2,813) | (\$ 2,940) |

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect on actual changes in present value of defined benefit liabilities.

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Amount expected to be allocated within 1 year | <u>\$ 2,238</u> | <u>\$ 2,086</u> |
| Average time to maturity of defined benefit liabilities | 12.4 years | 12.9 years |

XX. Equity

(I) Capital stock – common

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|------------------------------|------------------------------|
| Authorized shares (thousand shares) | <u>460,000</u> | <u>460,000</u> |
| Authorized share capital | <u>\$ 4,600,000</u> | <u>\$ 4,600,000</u> |
| Current outstanding shares (thousand shares) | <u>397,818</u> | <u>397,818</u> |
| Issued capital | <u>\$ 3,978,181</u> | <u>\$ 3,978,181</u> |

The Company's common shares have a face value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|------------------------------|------------------------------|
| Contributed capital in excess of par | \$ 135,000 | \$ 135,000 |
| Gains on the disposal of fixed assets | 2,497 | 2,497 |
| Donated assets received | 369 | 369 |
| Other – Dividends not claimed by shareholders before the deadline | <u>7,464</u> | <u>7,464</u> |
| | <u>\$ 145,330</u> | <u>\$ 145,330</u> |

Pursuant to the Company Act, capital surplus is from contributed capital in excess of par and donated assets received. Besides using capital surplus to offset losses, companies may also use capital surplus for distribution of cash dividends or capitalization. However, capitalization of capital surplus is limited to once a year. Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and divided policy

Pursuant to the earnings distribution policy set forth in the Company's Articles of Incorporation, if there is a profit after year-end closing, the Company shall first set aside ten percent of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allowance or reversal of a special reserve should be made in accordance with the law or the Company's operational needs; If there is still a surplus, it shall be distributed together with accumulated undistributed earnings after the Board of Directors makes a proposal for distribution of earnings to distribute in new shares; the proposal shall be submitted to the shareholders' meeting for approval before distribution. Meanwhile, the Board of Directors is authorized to distribute all or part of dividends and bonuses in cash by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting. Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT\$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed. Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT\$0.3 (inclusive), and stock dividends are distributed instead.

Pursuant to the Company Act, the amount of legal reserve must, at a minimum, equal the Company's total capital. The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed in cash.

The Company's cash dividends were approved by the board of directors in meetings on March 2023 and March 2022 respectively, and the remaining earning distribution items were also approved by the annual shareholders'

meeting on June 13, 2023 and June 21, 2022 respectively. The 2022 and 2021 earnings distribution proposal is as below:

| | Dividend distribution proposal | | Dividends per share (NTD) | |
|---|-----------------------------------|-----------|---------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | \$ 47,812 | \$ 11,159 | | |
| Provision (reversal) of special reserve | (143,781) | 134,743 | | |
| Cash dividends | 318,255 | 198,909 | \$ 0.8 | \$ 0.5 |

The Company passed the 2023 earnings distribution below in the Board meeting on March 6, 2024:

| | Dividend distribution proposal | Dividends per share (NTD) |
|----------------|--------------------------------------|------------------------------|
| Legal reserve | \$ 76,013 | |
| Cash dividends | 596,727 | \$ 1.5 |

The distribution of the above-mentioned cash dividends has been approved by the resolution of the board of directors, and the rest are yet to be resolved at the general meeting of shareholders, which is expected to be held in June 2024.

(IV) Special reserve

When the Company adopted the IFRSs for the first time, it allocated NT\$505,112 thousand from unrealized upward revaluation and cumulative translation adjustments of retained earnings to special reserve due to the transition to IFRSs. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT\$322 thousand of special reserve in 2013.

(V) Other equity interests

1. Exchange differences arising from the translation of the financial statements of foreign operations

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Opening balance | (\$ 128,788) | (\$ 676,886) |
| Currency translation difference resulting from the translation of assets of foreign operations | (25,684) | 548,098 |
| Closing balance | <u>(\$ 154,472)</u> | <u>(\$ 127,788)</u> |

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Opening balance | \$ 29,348 | \$ 28,315 |
| Generated in the current year | | |
| Equity instruments – unrealized gains | 32,019 | 202 |
| Share of subsidiaries accounted for using equity method | 12,493 | 831 |
| Closing balance | <u>\$ 73,860</u> | <u>\$ 29,348</u> |

XXI. Revenues

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|---------------------|
| Revenue from contracts with customers | | |
| Revenue from merchandise sales | <u>\$ 7,586,555</u> | <u>\$ 8,941,654</u> |

(I) Contract balance

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>January 1, 2022</u> |
|--|------------------------------|------------------------------|----------------------------|
| Net notes and accounts receivable (Note 9) | <u>\$ 908,866</u> | <u>\$ 1,033,256</u> | <u>\$ 1,024,326</u> |
| Contract liabilities | | | |
| Merchandise sales | <u>\$ 12,237</u> | <u>\$ 2,558</u> | <u>\$ 2,215</u> |

Changes to contract liabilities are mainly from the difference between the time contractual obligations are fulfilled and the customer makes payment. There are no other material changes.

The contract liabilities at the beginning of the year recognized as income of the current year are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|-----------------|
| Contract liabilities at the beginning of the year | | |
| Merchandise sales | <u>\$ 2,521</u> | <u>\$ 2,205</u> |

(II) Detailed revenues from contracts with customers

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Revenue from main products and services | | |
| Wet-processed synthetic leather | \$ 3,162,656 | \$ 3,212,754 |
| Dry-processed synthetic leather | 1,477,381 | 1,980,231 |
| Leather work in progress | 1,020,233 | 1,369,966 |
| Other | 1,926,285 | 2,378,703 |
| | <u>\$ 7,586,555</u> | <u>\$ 8,941,654</u> |

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

| | <u>2023</u> | <u>2022</u> |
|-----------------|------------------|------------------|
| Cash in banks | \$ 56,090 | \$ 8,248 |
| Other (Note 27) | 2,682 | 2,109 |
| | <u>\$ 58,772</u> | <u>\$ 10,357</u> |

(II) Other income

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|------------------|------------------|
| Rental income (Note 27) | \$ 34,361 | \$ 36,472 |
| Dividend income | 1,639 | 2,300 |
| Government grants revenue | 317 | 338 |
| Revenues from claims (Note) | - | 35,883 |
| Other | 11,339 | 8,572 |
| | <u>\$ 47,656</u> | <u>\$ 83,565</u> |

Note: In August 2021, a fire accident occurred in the second plant of the Company's Kaohsiung plant, resulting in damage to part of the inventories, buildings, and equipment. The fire loss was approximately NT\$70,217 thousand, which was included in profit or loss of 2021. The

Company received an insurance payout of NT\$35,883 thousand in March 2022, which was recognized as non-operating income.

(III) Other profits and losses

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|-------------------|
| Net foreign exchange gains | \$ 1,412 | \$ 277,534 |
| Net gains (losses) on disposal of property, plant and equipment | 616 | (84,840) |
| Net gains (losses) from financial instruments at fair value through profit or loss | 6,265 | (8,345) |
| Impairment loss on property, plant and equipment (Note 13) | (67,754) | - |
| Other | (3,317) | (944) |
| | <u>(\$ 62,778)</u> | <u>\$ 183,405</u> |

(IV) Financial costs

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Interest on bank borrowings | \$ 73,809 | \$ 56,260 |
| Interest on lease liabilities | 94 | 91 |
| Less: Costs of qualifying assets listed | (1,655) | (659) |
| | <u>\$ 72,248</u> | <u>\$ 55,692</u> |

Information on capitalization of interest is as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------|-------------|
| Amount of interest capitalized | \$ 1,655 | \$ 659 |
| Interest capitalization rate (%) | 1.65~1.93 | 1.02~1.56 |

(V) Depreciation and amortization

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-------------------|-------------------|
| Property, plant and equipment | \$ 314,111 | \$ 361,428 |
| Right-of-use assets | 4,626 | 5,132 |
| Investment properties | 867 | 867 |
| Computer software | 9,150 | 9,817 |
| | <u>\$ 328,754</u> | <u>\$ 377,244</u> |

Summary of depreciation expenses by function

| | | |
|--------------------|-------------------|-------------------|
| Operating costs | \$ 289,128 | \$ 333,208 |
| Operating expenses | 30,476 | 34,219 |
| | <u>\$ 319,604</u> | <u>\$ 367,427</u> |

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| | <u>2023</u> | <u>2022</u> |
|--|-----------------|-----------------|
| Summary of amortization expenses by function | | |
| Operating costs | \$ 331 | \$ 331 |
| Operating expenses | <u>8,819</u> | <u>9,486</u> |
| | <u>\$ 9,150</u> | <u>\$ 9,817</u> |

(VI) Employee benefit expenses

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------------|-------------------|
| Short-term employee benefits | \$ 744,196 | \$ 710,217 |
| Post-employment benefit | | |
| Defined contribution plan | 21,358 | 22,549 |
| Defined benefit plan (Note 19) | <u>2,238</u> | <u>2,086</u> |
| | <u>\$ 767,792</u> | <u>\$ 734,852</u> |
| Summary by function | | |
| Operating costs | \$ 338,771 | \$ 399,795 |
| Operating expenses | <u>429,021</u> | <u>335,057</u> |
| | <u>\$ 767,792</u> | <u>\$ 734,852</u> |

(VII) Employee bonuses and directors' remuneration

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 3-5% as employee bonuses and no more than 3% as directors' remuneration.

2023 and 2022 employee bonuses were estimated at 3.8% and 3.7% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2023 and 2022 will be distributed in cash according to resolutions adopted by the Board of Directors on March 6, 2024 and March 9, 2023:

| | <u>2023</u> | <u>2022</u> |
|-------------------------|-------------|-------------|
| Employee bonuses | \$ 36,412 | \$ 22,600 |
| Directors' remuneration | 21,081 | 12,500 |

Any changes to amounts after the standalone financial statements are passed and announced will be handled as changes to accounting estimates, and will be adjusted and recognized in the following year.

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the standalone financial statements in 2022 and 2021.

For information on Board resolutions relating to employee bonuses and directors' remuneration, please go to the Market Observation Post System of the Taiwan Stock Exchange.

(VIII) Foreign exchange gains (losses)

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-----------------|-------------------|
| Total foreign exchange gains | \$ 311,812 | \$ 650,804 |
| Total foreign exchange losses | (310,400) | (373,270) |
| Net gain | <u>\$ 1,412</u> | <u>\$ 277,534</u> |

XXIII. Income tax from continuing operations

(I) Main income tax expenses recognized in profit or loss

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Current income tax | | |
| Generated in the current period | \$ 62,925 | \$ 107,489 |
| Additional surtax on undistributed earnings | 12,792 | - |
| Adjustments in the previous year | 13,420 | (13,325) |
| | <u>89,137</u> | <u>94,164</u> |
| Deferred income tax | | |
| Generated in the current period | <u>51,297</u> | <u>10,950</u> |
| Income tax expense recognized in profit or loss | <u>\$ 140,434</u> | <u>\$ 105,114</u> |

Adjustments to accounting income and income tax expense are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| Pre-tax profit from continuing operations | <u>\$ 900,708</u> | <u>\$ 575,228</u> |
| Income tax expense on pre-tax profit calculated at the statutory tax rate (20%) | \$ 180,142 | \$ 115,046 |
| Tax effect of adjustments | | |
| Non-deductible tax expenses | 52 | 348 |
| Non-taxable income | (349) | (528) |
| Unrecognized taxable temporary difference | (73,470) | - |
| Earnings from investments in domestic subsidiaries not recognized as income | 10,792 | 2,567 |
| Other | (2,945) | 1,006 |
| Additional surtax on undistributed earnings | 12,792 | - |
| Adjustments in the previous year | <u>13,420</u> | <u>(13,325)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 140,434</u> | <u>\$ 105,114</u> |
| (II) Income tax recognized in other comprehensive income | | |
| | <u>2023</u> | <u>2022</u> |
| Income (expenses) on deferred income tax | | |
| Generated in the current year | | |
| Remeasurements of the net defined benefit | <u>\$ 10</u> | <u>(\$ 1,243)</u> |
| (III) Current income tax liabilities | | |
| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Current income tax liabilities | | |
| Income tax payable | <u>\$ 70,982</u> | <u>\$ 106,765</u> |

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

| | Opening balance | Listed in income | Recognized in other comprehensive income | Closing balance |
|---|---------------------|------------------|---|---------------------|
| <u>Deferred income tax assets</u> | | | | |
| Temporary difference | | | | |
| Defined benefit plan | \$ 14,878 | (\$ 1,297) | \$ 10 | \$ 13,591 |
| Inventory loss | 17,873 | (8,605) | - | 9,268 |
| Loss on disposal of property, plant and equipment | 16,392 | - | - | 16,392 |
| Impairment loss on property, plant and equipment | - | 12,705 | - | 12,705 |
| Unrealized gains from subsidiaries | 28,139 | (12,763) | - | 15,376 |
| Unrealized foreign exchange losses | - | 11,555 | - | 11,555 |
| Other | 3,890 | 10,076 | - | 13,966 |
| | <u>\$ 81,172</u> | <u>\$ 11,671</u> | <u>\$ 10</u> | <u>\$ 92,853</u> |
| <u>Deferred income tax liabilities</u> | | | | |
| Temporary difference | | | | |
| Overseas investment gains recognized under the equity method | \$ 609,644 | \$ 63,000 | \$ - | \$ 672,644 |
| Provision for land value increment tax | 414,430 | - | - | 414,430 |
| Other | 32 | (32) | - | - |
| | <u>\$ 1,024,106</u> | <u>\$ 62,968</u> | <u>\$ -</u> | <u>\$ 1,087,074</u> |

2022

| | Opening balance | Listed in income | Recognized in other comprehensive income | Closing balance |
|---|---------------------|--------------------|---|---------------------|
| <u>Deferred income tax assets</u> | | | | |
| Temporary difference | | | | |
| Defined benefit plan | \$ 19,319 | (\$ 3,198) | (\$ 1,243) | \$ 14,878 |
| Inventory loss | 38,829 | (20,956) | - | 17,873 |
| Unrealized gains from subsidiaries | 18,306 | 9,833 | - | 28,139 |
| Loss on disposal of property, plant and equipment | - | 16,392 | - | 16,392 |
| Other | 17,906 | (14,016) | - | 3,890 |
| | <u>\$ 94,360</u> | <u>(\$ 11,945)</u> | <u>(\$ 1,243)</u> | <u>\$ 81,172</u> |
| <u>Deferred income tax liabilities</u> | | | | |
| Temporary difference | | | | |
| Overseas investment gains recognized under the equity method | \$ 610,671 | (\$ 1,027) | \$ - | \$ 609,644 |
| Provision for land value increment tax | 414,430 | - | - | 414,430 |
| Other | - | 32 | - | 32 |
| | <u>\$ 1,025,101</u> | <u>(\$ 995)</u> | <u>\$ -</u> | <u>\$ 1,024,106</u> |

- (V) Items and amounts of deferred income tax assets not recognized in the balance sheet

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Deductible temporary differences | | |
| International investment impairment losses | \$ 31,369 | \$ 31,369 |

- (VI) Temporary difference in unrecognized deferred income tax liabilities related to investments in subsidiaries

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries was NT\$2,734,094 thousand and NT\$2,366,744 thousand as at December 31, 2023 and 2022, respectively.

- (VII) Approval of income tax

The Company's profit-seeking income tax returns up to 2021 have been approved by the tax authority.

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

- (I) Net profit for the year

| | <u>2023</u> | <u>2022</u> |
|------------|-------------|-------------|
| Net income | \$ 760,274 | \$ 470,114 |

- (II) Shares (thousand shares)

| | <u>2023</u> | <u>2022</u> |
|--|----------------|----------------|
| Number of shares used to calculate basic EPS | 397,818 | 397,818 |
| Plus: Employee bonuses | 1,605 | 1,155 |
| Number of shares used to calculate diluted EPS | <u>399,423</u> | <u>398,973</u> |

If the Company chooses to distribute employee bonuses in shares or cash, then it is assumed that all distribution will be in shares, which will dilute ordinary shares, and the diluted EPS is calculated based on the weighted-average number of ordinary shares outstanding. When calculating the diluted EPS before deciding to distribute employee bonuses in the following year, the potential dilution of ordinary shares will continue to be taken into consideration.

XXV. Capital risk management

The Company engages in capital management to ensure that it can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that it is able to continue as a going concern.

The Company's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., share capital, capital surplus, retained earnings, and other equity interests).

The Company's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Company will balance its overall capital structure via dividend distribution, issuance of new shares, borrowing new debt, and repaying old debt according to recommendations of management.

The Company is not required to comply with other external capital related regulations.

XXVI. Financial instruments

(I) Information on fair value – Financial instruments not measured at fair value

Management of the Company believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value.

(II) Information on fair value – Financial instruments measured at fair value on a recurring basis

1. Fair value level

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|-----------------|-------------------|
| <u>December 31, 2023</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Fund beneficiary certification | <u>\$ 100,589</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100,589</u> |
| Financial assets at fair value through other comprehensive income | | | | |
| Listed stock in Taiwan | \$ 84,461 | \$ - | \$ - | \$ 84,461 |
| Unlisted stock in Taiwan | - | - | 4,773 | 4,773 |
| | <u>\$ 84,461</u> | <u>\$ -</u> | <u>\$ 4,773</u> | <u>\$ 89,234</u> |
| <u>December 31, 2022</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Fund beneficiary certification | <u>\$ 94,324</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,324</u> |

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| | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|-------------|-----------------|------------------|
| Financial assets at fair value through other comprehensive income | | | | |
| Listed stock in Taiwan | \$ 52,662 | \$ - | \$ - | \$ 52,662 |
| Unlisted stock in Taiwan | - | - | 4,553 | 4,553 |
| | <u>\$ 52,662</u> | <u>\$ -</u> | <u>\$ 4,553</u> | <u>\$ 57,215</u> |

There was no transfer of level 1 and level 2 fair value measurements in 2023 and 2022.

2. Financial assets are adjusted at level 3 fair value measurement.

| | 2023 | 2022 |
|---|-----------------|-----------------|
| Financial assets at fair value through other comprehensive income | | |
| Opening balance | \$ 4,553 | \$ 4,657 |
| Recognized in other comprehensive income | 220 | (104) |
| Closing balance | <u>\$ 4,773</u> | <u>\$ 4,553</u> |

3. Valuation technique and input values for level 3 fair value

When the Company is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing the company's net worth.

(III) Financial instruments by category

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 3,180,331 | \$ 3,438,374 |
| Financial assets for which the fair value is required to be measured through profit or loss | 100,589 | 94,324 |
| Financial assets at fair value through other comprehensive income | | |
| Equity instrument investments | 89,234 | 57,215 |
| <u>Financial liabilities</u> | | |
| Measured at amortized cost (Note 2) | 4,721,685 | 5,252,008 |

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding tax refunds receivable), other accounts receivable from related parties, other financial assets, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other accounts payable (including related parties), long-term borrowings (including those that mature within one year), deposit received, and other financial liabilities at amortized cost.

(IV) The purpose and policy of financial risk management

The Company's main financial instruments include cash and cash equivalents, notes and accounts receivable, other receivables, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Company's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Company's operations. Risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1. Market Risk

The main financial risk of the Company due to business activities is the risk of changes in exchange rates (please refer to (1) below) and changes in interest rates (please refer to (2) below).

(1) Foreign exchange risk

The Company engages in sales and purchase of goods denominated in foreign currencies, which expose the Company to the risk of exchange rate changes. The Company manages its exposure to foreign exchange risk using FX options and swaps within the scope permitted by policy.

Please see Note 30 for the book value of the Company's monetary assets and liabilities not denominated in the functional currency on the balance sheet date.

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Company is mainly affected by exchange rate fluctuations of USD.

The sensitivity ratio used in reports on foreign exchange risk for management of the Company is 1%, which also represents management's evaluation of the reasonable scope of fluctuations in exchange rates. The sensitivity analysis only includes outstanding foreign currency-denominated monetary items, and the conversion at the end of the year is adjusted using 1% change in exchange rates.

When NTD (functional currency) depreciates (appreciates) 1% against USD, the Company's 2023 and 2022 pre-tax profit will increase (decrease) by NT\$25,795 thousand and NT\$28,169 thousand.

(2) Interest rate risk

The Company is exposed to interest rate risk when it finances using both fixed and floating interest rates at the same time. The Company manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

The book value of the Company's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------|----------------------|----------------------|
| Has interest rate risk for cash flow | | |
| Financial assets | \$ 990,888 | \$1,442,855 |
| Financial liabilities | 2,540,000 | 3,015,000 |

The Company has also determined that the fair value risk of its fixed interest rate time deposits, bonds issued under repurchase agreement, short-term borrowings, short-term notes and bills payable, and lease liabilities is not material.

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivatives on the balance sheet date. The method for analyzing floating interest rate assets and liabilities assumes that the amount of assets and liabilities outstanding on the balance sheet date were outstanding throughout the reporting period.

The sensitivity ratio used in reports on interest rate risk for management of the Company is an increase or decrease of 1%, which also represents management's evaluation of the reasonable scope of fluctuations in interest rates.

If annual interest rate increases/decreases 1% while all other variables remain the same, the Company's pre-tax profit will decrease/increase NT\$15,491 thousand and NT\$15,721 thousand in 2023 and 2022, respectively, and is mainly due to the Company's floating interest rate bank deposits and loans.

(3) Other price risks

The Company is exposed to the risk of equity prices due to its investments in equity securities. The equity investments are strategic investments and not held for trading. The Company does not actively engage in such investments.

Sensitivity analysis

The following sensitivity analysis is conducted using the equity price on the balance sheet date.

If the price of equity increases/decreases by 1%, the net profit before tax in 2023 and 2022 will increase/decrease NT1,006 thousand and NT\$943 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through profit and loss.

If the price of equity increases/decreases by 1%, other comprehensive income in 2023 and 2022 will increase/decrease NT\$892 thousand and NT\$572 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counterparties. As of the balance sheet date, the Company's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is mainly from:

- (1) Book value of financial assets recognized on the standalone balance sheet.
- (2) Amount of contingent liabilities from guarantees provided by the Company.

The Company's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Company continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

The Company's credit risk is mainly concentrated in accounts receivables of the following companies:

| | December 31, 2023 | December 31, 2022 |
|---------|----------------------|----------------------|
| Group A | \$ 87,850 | \$ 77,541 |
| Group B | 79,359 | 65,928 |
| Group C | 70,503 | 82,152 |
| Group D | 45,125 | 102,264 |
| | <u>\$ 282,837</u> | <u>\$ 327,885</u> |

The abovementioned groups accounted for 32% of accounts receivable for the years ended December 31, 2023 and 2022.

3. Liquidity risk

The Company manages and maintains an adequate position of cash to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Company supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Company's liquidity. Unused long-term and short-term credit limits of the Company was

NT\$2,485,000 thousand and NT\$2,275,000 thousand for the years ended December 31, 2023 and 2022, respectively.

Non-derivative financial liabilities and interest rate risk

Maturity analysis of remaining non-derivative financial liabilities is prepared based on the non-discounted cash flow (including principal and estimated interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Company. Hence, bank borrowings that the Company may be required to immediately repay are listed in the earliest period in the table below without considering the probability that the bank immediately exercises the right. Maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For cash flow from interests paid using floating interest rates, the non-discounted amount of interest is estimated using the interest rate on the balance sheet date.

| | Within 6 months | 6 months to 1 year | 1 year and above | Total |
|--------------------------------------|--------------------|-----------------------|---------------------|--------------------|
| <u>December 31, 2023</u> | | | | |
| Non-derivative financial liabilities | | | | |
| No interest-bearing debt | \$ 867,700 | \$ - | \$ 4,018 | \$ 871,718 |
| Lease liabilities | 2,664 | 2,031 | 3,702 | 8,397 |
| Floating-rate tools | 593,480 | 376,270 | 1,651,906 | 2,621,656 |
| Fixed-rate tools | 1,312,355 | - | - | 1,312,355 |
| Guarantee liabilities | \$ 30,000 | \$ - | \$ - | \$ 30,000 |
| | <u>\$2,806,199</u> | <u>\$ 378,301</u> | <u>\$1,659,626</u> | <u>\$4,844,126</u> |
| <u>December 31, 2022</u> | | | | |
| Non-derivative financial liabilities | | | | |
| No interest-bearing debt | \$ 902,990 | \$ - | \$ 4,018 | \$ 907,008 |
| Lease liabilities | 2,194 | 1,701 | 2,848 | 6,743 |
| Floating-rate tools | 457,220 | 703,460 | 1,949,561 | 3,110,241 |
| Fixed-rate tools | 1,330,021 | - | - | 1,330,021 |
| Guarantee liabilities | 10,000 | - | - | 10,000 |
| | <u>\$2,702,425</u> | <u>\$ 705,161</u> | <u>\$1,956,427</u> | <u>\$5,364,013</u> |

XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

(I) Name and relationship of related parties

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|------------------------------|---|
| Pou Chen Corporation | Parent company of investor with significant influence |

| | |
|---|---|
| Yue Yuen Industrial (Holdings) Ltd. Dongguan Baoliang Material Technology Co., Ltd. | Investor with significant influence Subsidiary |
| Grand International Investment Co., Ltd. (GII) | Subsidiary |
| San Fang Vietnam Corporation Limited (SFV) | Subsidiary |
| PT. San Fang Indonesia (PTS) | Subsidiary |
| Forich Advanced Materials Co., Ltd. | Subsidiary |
| Bestac Advanced Material Co., Ltd. | Subsidiary |

(II) Business transaction

1. Operating revenue

| General ledger account | Type/Name of related party | 2023 | 2022 |
|---------------------------|--|---------------------|---------------------|
| Sales revenue | Subsidiary | | |
| | PTS | \$ 1,404,057 | \$ 1,879,374 |
| | Dongguan Baoliang | 495,552 | 787,570 |
| | Other | 3,874 | 13,346 |
| | Investor with significant influence | | |
| | Yue Yuen Industrial (Holdings) Ltd. | 765,465 | 906,309 |
| | Parent company of investor with significant influence | | |
| | Pou Chen Corporation | 59,450 | 98,430 |
| | | <u>\$ 2,728,398</u> | <u>\$ 3,685,029</u> |

The Company sells goods to the related parties mentioned above. Except for the fact that prices cannot be compared because subsidiaries do not sell the same types of goods to non-related parties, there are no significant differences when compared with non-related parties. The terms of payment for related parties is open account 30~120 days, and for regular customers it is open account 30~90 days.

2. Purchase of goods

| <u>Type/Name of related party</u> | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Subsidiary | | |
| Dongguan Baoliang Forich Advanced Materials Co., Ltd. | \$ 286,591 | \$ 44,770 |
| PTS | 90,042 | 149,458 |
| | <u>20,973</u> | <u>54,872</u> |
| | <u>\$ 397,606</u> | <u>\$ 249,100</u> |

The Company purchases goods from subsidiaries, but does not purchase the same types of goods from non-related parties, so prices cannot be compared. There are no significant differences in terms of payment compared with regular vendors.

3. Contracted processing

The Company commissions subsidiary SFV to process artificial leather, and processing expenses were NT\$1,034,432 thousand and NT\$1,079,419 thousand in 2023 and 2022, respectively, and are listed under operating costs. Prices cannot be compared because the Company does not engage in similar transactions with non-related parties, and the terms of payment is open account 30 days.

4. Purchase of raw materials

The amounts of raw materials purchased by the Company on for subsidiaries in 2023 and 2022 are as follows:

| <u>Type/Name of related party</u> | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Subsidiary | | |
| PTS | \$ 126,074 | \$ 131,934 |
| Dongguan Baoliang Bestac Advanced Material Co., Ltd. | 56,789 | 56,429 |
| Forich Advanced Materials Co., Ltd. | 29,158 | 100,471 |
| | <u>13,717</u> | <u>9,500</u> |
| | <u>\$ 225,738</u> | <u>\$ 298,334</u> |

The Company's profit from purchasing raw materials for subsidiaries was NT\$14,769 thousand and NT\$14,242 thousand in 2023 and 2022, and the profits are listed as a contra item for cost of goods sold.

The credit period for the transactions above is 30~120 days, and is open account 60~120 days for sale of goods to regular customers.

5. Technology research expenses

The Company signed a technology transfer agreement with the subsidiary Forich Advanced Materials Co., Ltd. for the subsidiary to provide technical consulting services for resin production and paid a fee of NT\$7,200 thousand and NT\$5,400 thousand in 2023 and 2022, which was recognized as operating expenses.

6. Receivables from related parties (excluding loans to related parties)

| General ledger account | Type/Name of related party | December 31, 2023 | December 31, 2022 |
|---------------------------|---|----------------------|----------------------|
| Accounts receivable - | Subsidiary | | |
| Related party | PTS | \$ 113,296 | \$ 147,656 |
| | Dongguan Baoliang | 50,327 | 70,446 |
| | Other | 52 | 175 |
| | Investor with significant influence | | |
| | Yue Yuen Industrial (Holdings) Ltd. | 87,850 | 77,541 |
| | Parent company of investor with significant influence | | |
| | Pou Chen Corporation | 21,006 | 18,136 |
| | | <u>\$ 272,531</u> | <u>\$ 313,954</u> |
| Other receivables - | Subsidiary | | |
| Related party | Bestac Advanced Material Co., Ltd. | \$ 52,645 | \$ 58,537 |
| | PTS | 6,085 | 53,403 |
| | Other | 6,757 | 11,587 |
| | | <u>\$ 65,487</u> | <u>\$ 123,527</u> |

Other receivables are mainly purchases of raw materials and payments on behalf of subsidiaries.

No collateral was collected for outstanding receivables from related parties.

7. Accounts payable to related parties

| General ledger account | Type/Name of related party | December 31, 2023 | December 31, 2022 |
|---------------------------------------|--|----------------------|----------------------|
| Accounts payable - related parties | Subsidiary | | |
| | Dongguan Baoliang | \$ 17,353 | \$ 12,177 |
| | Forich Advanced Materials Co., Ltd. | 8,499 | 4,565 |
| | PTS | 3,131 | 11,164 |
| | Other | 720 | 232 |
| | | <u>\$ 29,703</u> | <u>\$ 28,138</u> |
| Other payables - Related party | Subsidiary | | |
| | SFV | \$ 90,177 | \$ 87,382 |
| | Other | 185 | 762 |
| | | <u>\$ 90,362</u> | <u>\$ 88,144</u> |

No collateral was provided for outstanding payables to related parties.

(III) Loans from related parties (including principal and interest)

| General ledger account | Type/Name of related party | December 31, 2023 | December 31, 2022 |
|---------------------------|---|----------------------|----------------------|
| Other receivables | Subsidiary - Bestac Advanced Material Co., Ltd. | <u>\$ 100,237</u> | <u>\$ 100,000</u> |
| Interest income | Subsidiary - Bestac Advanced Material Co., Ltd. | <u>\$ 912</u> | <u>\$ 350</u> |

The Company's loans are all unsecured loans. The loan period in 2023 and 2022 is from November 2023 to November 2024 and August 2022 to August 2023 respectively and the interest is 1.80% and 1.12% respectively. No expected credit losses were found in the evaluations of such loans.

(IV) Lease agreements

The Company leased buildings, machinery and equipment, and other equipment, and leased right-of-use assets – transportation equipment to subsidiary Bestac Advanced Material Co., Ltd. Under an operating lease (Note 13) with a lease term to December 2024. Rental income of NT\$24,759 thousand and NT\$26,873 thousand were recognized in 2023 and 2022.

(V) Providing endorsements/guarantees to others

| Type/Name of related party | December 31, 2023 | December 31, 2022 |
|----------------------------|----------------------|----------------------|
| Subsidiary | | |
| Guarantee amount | \$ 153,071 | \$ 50,000 |
| Actual amount drawn down | \$ 30,000 | \$ 10,000 |

(VI) Compensation for management

| | 2023 | 2022 |
|------------------------------|-----------|-----------|
| Short-term employee benefits | \$ 50,605 | \$ 36,091 |
| Post-employment benefit | 630 | 464 |
| | \$ 51,235 | \$ 36,555 |

Remuneration of directors and management is decided by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The Company provided the following assets as collateral for bank borrowings:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------|----------------------|----------------------|
| Other financial assets – current | \$ 10,044 | \$ - |
| Property, plant and equipment – net | 1,357,017 | 1,360,286 |
| Investment properties – net | 109,189 | 110,056 |
| | \$ 1,476,250 | \$ 1,470,342 |

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those described in Note 27(5), the Company also has the following major commitments on the balance sheet date:

- (I) Property, plant and equipment purchase contracts not listed by the Company are as follows:

| | December 31, 2023 | December 31, 2022 |
|--|----------------------|----------------------|
| Acquisition of property, plant and equipment | \$ 40,606 | \$ 92,170 |

XXX. Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact

Information on non-functional currency-denominated financial assets and liabilities that have a significant impact on the Company is provided below:

Unit: Foreign currencies (in thousands): Exchange rate: NTD

| | <u>Foreign currencies</u> | <u>Exchange rate</u> | <u>Book value</u> |
|--------------------------------|-------------------------------|----------------------|-------------------|
| <u>December 31, 2023</u> | | | |
| Monetary financial assets | | | |
| USD | \$ 90,856 | 30.705 | \$ 2,789,722 |
| Monetary financial liabilities | | | |
| USD | 6,847 | 30.705 | 210,232 |
| <u>December 31, 2022</u> | | | |
| Monetary financial assets | | | |
| USD | 98,805 | 30.71 | 3,034,297 |
| Monetary financial liabilities | | | |
| USD | 7,080 | 30.71 | 217,415 |

The Company's foreign exchange net loss (including realized and unrealized) was a net gain of NT\$1,412 thousand in 2023 and a net gain of NT\$277,534 thousand in 2022. Due to the large number of foreign currencies used for transactions, foreign exchange gain/loss cannot be individually disclosed for foreign currencies with a material impact.

XXXI. Supplementary Disclosures

(I) Information on major transactions and investees

1. Lending to others: See Table 1 for details.
2. Providing endorsements or guarantees to others: See Table 2 for details.
3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries): See Table 3 for details.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: See Table 4 for details.

8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: See Table 5 for details.
9. Derivatives trading: None.
10. Information on the investee: See Table 6 and Table 7 for details.

(II) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.
2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:
 - (1) Amount and percentage of goods purchased and the ending balance and percentage of payables

| | Purchase of goods | | Accounts payable | |
|----------|-------------------|---|------------------|---|
| | | As a percenta ge of the account | | As a percenta ge of the account |
| | Amount | (%) | Amount | (%) |
| Dongguan | | | | |
| Baoliang | \$ 286,591 | 6 | \$ 17,353 | 2 |

- (2) Amount and percentage of goods sold and the ending balance and percentage of receivables

| | Sales | | Accounts receivable | |
|----------|------------|---|---------------------|---|
| | | As a percenta ge of the account | | As a percenta ge of the account |
| | Amount | (%) | Amount | (%) |
| Dongguan | | | | |
| Baoliang | \$ 495,552 | 7 | \$ 50,327 | 6 |

- (3) Property transaction amount and the profit or loss amount: None.
- (4) Ending balance and purpose of endorsements/guarantees or collateral: None.

- (5) Highest balance, ending balance and interest rate range of financing and total interest in the current period: None.
- (6) Other transactions, such as the providing or accepting services, that have a material impact on current profit or loss or financial position:

The income generated from purchasing raw materials for Dongguan Baoliang was NT\$3,787 thousand in 2023, and other receivables from Donguan Baoliang was NT\$3,436 thousand as of December 31, 2023.

- (III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 8 for details.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Lending to others

From January 1 to December 31, 2023

Table 1

Unit: All amounts are in thousand NTD, unless otherwise specified

| No. | Lender | Borrower | General ledger account | Is it a related party | Highest balance in the current period | Closing balance | Actual amount drawn down | Interest rate range (%) | Nature of loan | Amount of transaction | Reason for short-term financing | Provision for doubtful debts | Collateral | | Limit on loans granted to a single party | Limit on total lending | Remarks |
|-----|--------------------------------------|------------------------------------|-------------------------------|-----------------------|---------------------------------------|-----------------|--------------------------|-------------------------|----------------------|-----------------------|---------------------------------|------------------------------|------------|-------|--|------------------------|-------------------|
| | | | | | | | | | | | | | Name | Value | | | |
| 0 | San Fang Chemical Industry Co., Ltd. | Bestac Advanced Material Co., Ltd. | Other receivables | Yes | \$ 100,000 | \$ 100,000 | \$ 100,000 | 1.8 | Short-term financing | \$ - | Working capital | \$ - | - | \$ - | \$ 894,300 | \$ 3,577,200 | Note 1 and Note 2 |
| 1 | GII | SFV | Long-term accounts receivable | Yes | 1,013,265 | - | - | 1 | Short-term financing | - | Working capital | - | - | - | 3,665,025 | 3,665,025 | Note 1 and Note 2 |
| 1 | GII | PTS | Long-term accounts receivable | Yes | 859,740 | 859,740 | 307,050 | 1.15~1.8 | Short-term financing | - | Working capital | - | - | - | 3,665,025 | 3,665,025 | Note 1 and Note 2 |

Note 1: Limit on lending to a single party: Lending due to business dealings may not exceed the total transaction amount in the most recent 1 year or in the current year up to the time the loan is approved. Lending to meet short-term financing needs may not exceed 10% of the company's net worth. If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 2: Limit on total lending: Total lending to a company may not exceed 40% of the company's net worth (lending due to business dealings may not exceed 30% of the company's net worth, short-term loans may not exceed 20% of the company's net worth). If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
 Providing endorsements/guarantees to others
 From January 1 to December 31, 2023

Table 2

Unit: All amounts are in thousand NTD, unless otherwise specified

| No. | Name of company | Entity for which the endorsement/guarantee is made | | Limit on endorsements/guarantees to a single enterprise | Maximum outstanding balance of endorsements/guarantees during the current period | Closing balance of endorsements/guarantees | Actual amount drawn down | Endorsed/Guaranteed amount with property as collateral | Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%) | Maximum endorsed/guaranteed amount | Endorsement/Guarantee provided by parent company to subsidiary | Endorsement/Guarantee provided by subsidiary to parent company | Endorsement/Guarantee provided to China | Remarks |
|-----|--------------------------------------|--|--------------|---|--|--|--------------------------|--|--|------------------------------------|--|--|---|-------------------|
| | | Company name | Relationship | | | | | | | | | | | |
| 0 | San Fang Chemical Industry Co., Ltd. | Bestac Advanced Material Co., Ltd. | Subsidiary | \$ 397,818 | \$ 153,071 | \$ 153,071 | \$ 30,000 | \$ - | 1.71 | \$ 1,989,090 | Y | N | N | Note 1 and Note 2 |

Note 1: The limit on guarantee to a single enterprise is paid-in capital × 10%.

Note 2: The limit on guarantees is paid-in capital × 50%.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Detailed list of securities held at the end of period

December 31, 2023

Table 3

Unit: All amounts are in thousand NTD, unless otherwise specified

| Securities held by | Type and name of security | Relationship with securities issuer | General ledger account | End of period | | | | Remarks |
|---|--|---|---|---------------------------|------------------|------------------------|------------------------------------|---------|
| | | | | Number of shares or units | Book value | Shareholding ratio (%) | Market price (net value of equity) | |
| San Fang Chemical Industry Co., Ltd. | Stock | | | | | | | |
| | Yuanta Financial Holding Co., Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 559,142 | \$ 15,432 | - | \$ 15,432 | |
| | Yeashin International Development Co., Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 1,952,737 | 69,029 | 0.38 | 69,029 | |
| | Liyu Venture Capital | The Company is an institutional director of Liyu Venture Capital | Non-current financial assets at fair value through other comprehensive income | 558,255 | 4,773 | 4.76 | 4,773 | |
| | | | | | <u>\$ 89,234</u> | | <u>\$ 89,234</u> | |
| | Funds | | | | | | | |
| | PineBridge Global ESG Quantitative Bond Fund N9 Acc | - | Current financial assets at fair value through profit or loss | 103,755.99 | \$ 29,951 | | \$ 29,951 | |
| | Nomura Global Financial Bond (N) Acc | - | Current financial assets at fair value through profit or loss | 101,664.05 | 28,861 | | 28,861 | |
| | PineBridge Multi-Income Fund (N) Acc | - | Current financial assets at fair value through profit or loss | 67,369.59 | 23,526 | | 23,526 | |
| | Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class | - | Current financial assets at fair value through profit or loss | 68,323.30 | 18,251 | | 18,251 | |
| | | | | <u>\$ 100,589</u> | | <u>\$ 100,589</u> | | |
| San Fang Financial Holdings Co., Ltd. | Stock | | | | | | | |
| | Yentai Wanhua Microfibre Co., Ltd. | - | Noncurrent financial assets at fair value through profit or loss | 4,000,000 | \$ - | 8 | \$ - | |
| | Taihuangdao Fusheng Chemical and Leather-making Co., Ltd. | - | Noncurrent financial assets at fair value through profit or loss | | - | 7.29 | - | |
| | | | | | <u>\$ -</u> | | <u>\$ -</u> | |
| Forich Advanced Materials Co., Ltd. | Stock | | | | | | | |
| Yeashin International Development Co., Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 861,454 | <u>\$ 30,453</u> | 0.17 | <u>\$ 30,453</u> | | |

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
From January 1 to December 31, 2023

Table 4

Unit: All amounts are in thousand NTD, unless otherwise specified

| Purchaser/Seller | Counterparty | Relationship | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | Remarks |
|--------------------------------------|--------------------------------------|-------------------------------------|-------------------|-----------------|---|-------------------------|---|---|-------------------------------------|---|---------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) (%) | Credit period | Unit price | Credit period | Balance | Percentage of total notes/accounts receivable (payable) | |
| | | | | | | | | | | | |
| San Fang Chemical Industry Co., Ltd. | PTS | Subsidiary | Sales | (\$ 1,404,057) | (19) | Open account 30~75 days | There are no general transaction terms for price comparison | The general transaction term is open account 30~90 days | \$ 113,296 | 13 | - |
| | Dongguan Baoliang | Subsidiary | Sales | (495,552) | (7) | Open account 30-90 days | There are no general transaction terms for price comparison | General transaction terms | 50,327 | 6 | - |
| | Dongguan Baoliang | Subsidiary | Purchase of goods | 286,591 | 6 | Open account 30~75 days | There are no general transaction terms for price comparison | General transaction terms | (17,353) | (2) | Note |
| | Yue Yuen (Group) | Investor with significant influence | Sales | (765,465) | (10) | Open account 30-90 days | General transaction terms | General transaction terms | 87,850 | 10 | - |
| PTS | San Fang Chemical Industry Co., Ltd. | Parent company | Purchase of goods | 1,530,131 | 87 | Open account 30~75 days | There are no general transaction terms for price comparison | The general transaction term is open account 30~90 days | (119,381) | (63) | Note |
| | Yue Yuen (Group) | Investor with significant influence | Sales | (693,305) | (26) | Open account 30-70 days | General transaction terms | The general transaction term is open account 30-75 days | 132,120 | 37 | - |
| Dongguan Baoliang | San Fang Chemical Industry Co., Ltd. | Parent company | Sales | (265,634) | (15) | Open account 30~75 days | There are no general transaction terms for price comparison | The general transaction term is open account 30~90 days | 16,589 | 8 | - |
| | San Fang Chemical Industry Co., Ltd. | Parent company | Purchase of goods | 552,341 | 54 | Open account 30-90 days | There are no general transaction terms for price comparison | General transaction terms | (53,763) | (20) | Note |
| | Yue Yuen (Group) | Investor with significant influence | Sales | (269,002) | (15) | Open account 30-60 days | General transaction terms | The general transaction term is open account 30~90 days | 54,103 | 27 | - |

Note: Includes the amount of raw materials purchased.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2023

Table 5

Unit: All amounts are in thousand NTD, unless otherwise specified

| Creditor | Counterparty | Relationship | Balance of receivables from related parties | Turnover rate | Overdue receivables from related parties | | Amount of receivables from related parties collected subsequent to the balance sheet date | Provision for doubtful debts |
|--------------------------------------|------------------------------------|-------------------------------------|---|---------------|--|--------------|---|------------------------------|
| | | | | | Amount | Action taken | | |
| San Fang Chemical Industry Co., Ltd. | PTS | Subsidiary | \$119,381 (Note 1) | 14.33 | \$ - | - | \$119,381 | \$ - |
| | Bestac Advanced Material Co., Ltd. | Subsidiary | 152,934 (Note 2) | 0.79 | - | - | 22,415 | - |
| PTS | Yue Yuen (Group) | Investor with significant influence | 132,120 | 7.71 | - | - | 95,553 | - |
| GII | PTS | Subsidiary | 307,344 (Note 3) | - | - | - | 294 | - |

Note 1: Includes NT\$113,296 thousand in accounts receivables and NT\$6,085 thousand in other receivables.

Note 2: Includes NT\$52 thousand in accounts receivables, NT\$52,645 thousand in other receivables, and NT\$100,237 thousand in other receivables from loans.

Note 3: Includes NT\$294 thousand in other receivables, and NT\$307,050 thousand in long-term receivables from loans.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Information on the investee

From January 1 to December 31, 2023

Table 6

Unit: All amounts are in thousand NTD, unless otherwise specified

| Name of investment company | Name of investee | Location | Main business items | Initial investment amount | | Held at the end of period | | | Current profit (loss) of investee | Investment income (loss) recognized by the Company for the current period | Remarks |
|--------------------------------------|---------------------------------------|------------------------|---|---------------------------|------------------|---------------------------|---|--------------|-----------------------------------|---|---------|
| | | | | End of the current year | End of last year | Number of shares | Percentage (%) up to the previous quarter | Book value | | | |
| | | | | | | | | | | | |
| San Fang Chemical Industry Co., Ltd. | San Fang Development | British Virgin Islands | Investment | \$ 687,435 | \$ 687,435 | 20,000,000 | 100.00 | \$ 1,802,985 | \$ 279,608 | \$ 280,868 | Note 1 |
| San Fang Chemical Industry Co., Ltd. | GCL | GCL | Investment | 656,053 | 656,053 | 19,750,000 | 100.00 | 5,480,361 | 475,194 | 474,421 | Note 1 |
| San Fang Chemical Industry Co., Ltd. | San Fang Financial Holdings Co., Ltd. | British Virgin Islands | Investment | 20,150 | 20,150 | 604,113 | 100.00 | 10,266 | 23 | 23 | - |
| San Fang Chemical Industry Co., Ltd. | Forich Advanced Materials Co., Ltd. | Taiwan | Manufacturing and sales of chemical products | 76,985 | 76,985 | 7,698,545 | 100.00 | 113,363 | 4,594 | 4,594 | - |
| San Fang Chemical Industry Co., Ltd. | Bestac Advanced Material Co., Ltd. | Taiwan | Manufacturing and sales of chemical products | 200,000 | 200,000 | 20,000,000 | 100.00 | 38,257 | (58,555) | (58,555) | - |
| San Fang Development | San Fang International | British Virgin Islands | Investment | 773,766 | 773,892 | 25,200,010 | 100.00 | 973,792 | 125,901 | 125,901 | Note 2 |
| San Fang Development | BBH | Hong Kong | Investment | 521,985 | 522,070 | 17,000,000 | 100.00 | 614,586 | 147,268 | 147,268 | Note 3 |
| San Fang International | MPL | British Virgin Islands | Investment | 276,345 | 276,390 | 9,000,001 | 100.00 | 410,237 | 96,528 | 96,528 | Note 4 |
| San Fang International | GTL | British Virgin Islands | Investment | 195,962 | 195,994 | 1 | 100.00 | 122,307 | 17,418 | 17,418 | Note 5 |
| GCL | GII | GCL | Investment | 620,241 | 620,342 | 20,200,000 | 100.00 | 3,665,025 | 107,081 | 107,081 | Note 6 |
| GCL | JOB | GCL | Investment | 1,120,656 | 1,120,838 | 36,497,500 | 100.00 | 1,860,764 | 368,062 | 368,062 | Note 7 |
| JOB | PTS | Indonesia | Manufacturing and sales of artificial leather, synthetic resin, and other materials | 1,074,598 | 1,074,773 | 34,997,500 | 99.99 | 1,678,598 | 368,105 | 368,105 | Note 8 |
| GII | SFV | Vietnam | Material processing | 1,105,380 | 276,390 | - | 100.00 | 1,532,987 | 55,438 | 55,438 | Note 9 |
| GII | PTS | Indonesia | Manufacturing and sales of artificial leather, synthetic resin, and other materials | 77 | 77 | 2,500 | 0.01 | 74 | 368,105 | - | Note 10 |

Note 1: Investment gains (losses) recognized in the current period include unrealized investment gains from upstream transactions and adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 2: The original investment amount was both US\$25,200,010 at the beginning and end of the current period.

Note 3: The original investment amount was both US\$17,000,000 at the beginning and end of the current period.

Note 4: The original investment amount was both US\$9,000,001 at the beginning and end of the current period.

Note 5: The original investment amount was both US\$6,382,096 at the beginning and end of the current period.

Note 6: The original investment amount was both US\$20,200,000 at the beginning and end of the current period.

Note 7: The original investment amount was both US\$36,497,500 at the beginning and end of the current period.

Note 8: The original investment amount was both US\$34,997,500 at the beginning and end of the current period.

Note 9: The original investment amount was US\$36,000,000 and US\$9,000,000 at the end and beginning of the current period, respectively. The increase of US\$27,000,000 in the investment in SFV was approved by the Investment Commission, MOEA in September 2023.

Note 10: The original investment amount was both US\$2,500 at the beginning and end of the current period.

Note 11: Please see Table 7 for information on investees in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on Investments in China
From January 1 to December 31, 2023

Table 7

Unit: All amounts are in thousand NTD, unless otherwise specified

| Name of investee in China | Main business items | Paid-in capital | Investment method | Accumulated investment amount remitted from Taiwan at the beginning of the period | Investment amount remitted from/to Taiwan in the current period | | Accumulated investment amount remitted from Taiwan at the end of the period | Current profit (loss) of investee | Percentage of shares held directly or indirectly by the Company (%) | Investment income (loss) recognized by the Company in the current period | Closing book value of investments | Investment gains remitted back to Taiwan as of the end of the period | Remarks |
|---|---|-----------------|-------------------|---|---|-------------------------|---|-----------------------------------|---|--|-----------------------------------|--|----------------------------|
| | | | | | Remitted from Taiwan | Remitted back to Taiwan | | | | | | | |
| Taihuangdao Fusheng Chemical and Leather-making Co., Ltd. | Manufacturing and sales of artificial leather, synthetic resin, and other materials | \$ 400,393 | 2 | \$ 33,020 | \$ - | \$ - | \$ 33,020 | \$ - | 7.29 | \$ - | \$ - | \$ - | |
| Yentai Wanhua Microfibre Co., Ltd. | Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives | 215,550 | 2 | 21,274 | - | - | 21,174 | - | 8.00 | - | - | - | |
| Dongguan Huangjiang Baoliang Shoe Factory | Material processing | 58,801 | 2 | 62,893 | - | - | 62,893 | - | - | - | - | - | Note 1, Note 2, and Note 4 |
| Dongguan Baoliang Material Technology Co., Ltd. | Manufacturing and sales of artificial leather, synthetic resin, and other materials | 829,035 | 2 | - | - | - | - | 260,804 | 100 | 260,804 | 1,035,285 | 88,801 | Note 3 and Note 4 |

| Name of investment company | Accumulated investment amount remitted from Taiwan to China at the end of the current period | Investment amount approved by the Investment Commission, MOEA | The Company's limit on investments in China (Note 5) |
|--------------------------------------|--|---|--|
| San Fang Chemical Industry Co., Ltd. | \$ 117,087 | \$ 1,075,685 | \$ - |

Note 1: The Company reported in 2010 that Megatrade Profits Limited, its investee in the British Virgin Islands, has provided non-price setting machinery and equipment worth HKD14,966 thousand to Dongguan Huangjiang Baoliang Shoes Material Factory since 1996, and gained approval from the Investment Commission, Ministry of Economic Affairs in March 2010.

Note 2: Megatrade Profits Limited holds 100% shares of Dongguan Huangjiang Baoliang Shoe Factory for its processing business, but it has not registered its shares.

Note 3: Megatrade Profits Limited (MPL) is an investee of San Fang International Co., Ltd., and then MPL invested US\$3,484 thousand in cash and US\$5,516 thousand in machinery to establish Dongguan Baoliang Material Technology Co., Ltd. Dongguan Baoliang acquired Dongguan Yuguo Shoe Materials Co., Ltd. in Q2 2018. Dongguan Yuguo then invested US\$6,182 thousand in cash in Giant Tramp Limited (GTL), and indirectly obtained 100% shares of Dongguan Yuguo in China. The Investment Commission, MOEA approved the additional investment of US\$16,000 thousand in Dongguan Baoliang in October 2019.

Note 4: Investment gains and losses are recognized in the Company's financial statements that were audited by a CPA.

Note 5: Pursuant to the amendment to Article 3 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, which was announced in Order Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained documentation of its head office's scope of business (Letter Jing-Shou-Gong-Zi No. 11020426410 dated July 28, 2021) issued by the Industrial Development Bureau, MOEA, and therefore has no limit on investments in China.

San Fang Chemical Industry Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 8

| Name of major shareholder | Shareholding | |
|--|---------------------|------------------------|
| | Shares Held (share) | Shareholding ratio (%) |
| i-Tech. Sporting Enterprise Ltd. | 38,980,000 | 9.80 |
| Pou Chien Enterprise Co., Ltd. | 38,501,504 | 9.68 |
| Yue Dean Technology Corporation | 37,298,876 | 9.38 |
| Pou Chien Technology Co., Ltd. | 36,549,118 | 9.19 |
| Investment account of Capital Securities Limited under the custody of Capital Securities Corporation | 26,578,577 | 6.68 |
| Mun-Jin Lin | 26,239,427 | 6.60 |
| Mun-Yon Lin | 19,935,265 | 5.01 |

Note 1: Information on major shareholders in this table is based data from Taiwan Depository and Clearing Corporation, which calculated shareholders with 5% or more of the Company's non-physical ordinary shares on the last business day of the quarter. The share capital specified on the Company's standalone financial statements may be different from the actual number of non-physical shares due to different calculation basis.

Note 2: If the shareholder in the data above put shares into a trust, it is listed as a separate trust account of the shareholder opened by the trustee. For shareholders who are reported as insiders in accordance with Securities and Exchange Act for holding more than 10% of shares, the shareholdings include the shares held by the shareholder plus shares placed in a trust in which the shareholder has control over trust assets. Please refer to the Market Observation Post System for data on reporting insider shareholding.

§List of Significant Accounting Items§

| Item | No./Index |
|--|---------------------|
| Detailed list of assets, liabilities, and equity | |
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San Fang Chemical Industry Co., Ltd.
Detailed list of cash and cash equivalents
December 31, 2023

List 1

Unit: All amounts are in thousand NTD,
unless otherwise specified

| Item | Amount |
|--|--------------------|
| Cash on hand and working capital | \$ 436 |
| Cash in banks | |
| Cheque deposits | 5,029 |
| Demand deposits | 147,875 |
| Foreign currency demand deposits | |
| USD 27,175,240 | 834,416 |
| JPY 27,303,478 | 5,930 |
| RMB 299,347 | 1,291 |
| EUR 40,487 | 1,376 |
| Cash equivalents | |
| Time deposits (USD 4,000,000; Annual interest of 5.3%-5.6%) | 122,820 |
| | <u>\$1,119,173</u> |

Note: USD 1 = NTD 30.705.

JPY 1 = NTD 0.2172.

RMB 1 = NTD 4.311.

EUR 1 = NTD 33.98.

San Fang Chemical Industry Co., Ltd.

Financial assets at fair value through profit or loss - current detailed list

December 31, 2023

List 2

Unit: Thousand NTD
(Unless otherwise specified)

| Name | Summary | Unit (shares) | Initial investment amount | Unit price (USD) | Fair value |
|--|----------------|---------------|---------------------------|------------------|-------------------|
| PineBridge Global ESG Quantitative Bond Fund N9 (Acc) (USD) | Open end funds | 103,755.99 | \$ 30,533 | \$ 9.40 | \$ 29,951 |
| Nomura Global Financial Bond (N) Acc USD | Open end funds | 104,664.05 | 28,880 | 9.25 | 28,861 |
| PineBridge Multi-Income Fund (N) Acc USD | Open end funds | 67,369.59 | 21,661 | 11.37 | 23,526 |
| Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class USD | Open end funds | 68,323.30 | 21,661 | 8.70 | 18,251 |
| | | | <u>\$ 102,735</u> | | <u>\$ 100,589</u> |

San Fang Chemical Industry Co., Ltd.

Detailed list of notes receivable

December 31, 2023

List 3

Unit: Thousand NTD

| <u>Name of customer</u> | <u>Summary</u> | <u>Amount</u> |
|-------------------------------|----------------|------------------|
| Non-related party | | |
| Peng Dar Industrial Co., Ltd. | Sales proceeds | \$ 14,049 |
| Cortina United Corporation | Sales proceeds | 9,401 |
| Other (Note) | Sales proceeds | <u>1,057</u> |
| | | <u>\$ 24,507</u> |

Note: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts receivable

December 31, 2023

List 4

Unit: Thousand NTD

| <u>Name of customer</u> | <u>Summary</u> | <u>Amount</u> |
|--|----------------|------------------|
| Related party | | |
| PTS | Sales proceeds | \$113,296 |
| Yue Yuen Industrial (Holdings) Ltd. | Sales proceeds | 87,850 |
| Dongguan Baoliang | Sales proceeds | 50,327 |
| Other (Note 1) | Sales proceeds | <u>21,058</u> |
| Net accounts receivable – related parties | | <u>272,531</u> |
| Non-related party | | |
| OIA Global Logistics Scm, Lnc. | Sales proceeds | 46,435 |
| FORWARD SPORTS (PVT) LTD. | Sales proceeds | 34,409 |
| CAN SPORTS VIETNAM CO., LTD. | Sales proceeds | 31,694 |
| Other (Note 1 and Note 2) | Sales proceeds | <u>501,687</u> |
| | | 614,225 |
| Less: Loss provision | | <u>2,397</u> |
| Net accounts receivable – non-related party | | <u>611,828</u> |
| | | <u>\$884,359</u> |

Note 1: None of the balances exceed 5% of the balance for this item.

Note 2: The Company's accounts receivable that are overdue for one year or longer amount to NT\$3,310 thousand.

San Fang Chemical Industry Co., Ltd.
Detailed list of other accounts receivable
December 31, 2023

List 5

Unit: Thousand NTD

| Name/Item | Amount |
|---|------------------|
| Related party | |
| Bestac Advanced Material Co., Ltd. (Note 1) | \$152,882 |
| Other (Note 2) | <u>12,842</u> |
| | <u>165,724</u> |
| Non-related party | |
| Interest income receivable | 10,067 |
| Income from sale of scrap receivable | 6,866 |
| Business tax refunds receivable | 4,179 |
| Other (Note 2) | <u>4,315</u> |
| | <u>25,427</u> |
| | <u>\$191,151</u> |

Note 1: Loans, collections, payments, and purchases of raw materials for third parties.

Note 2: None of the balances exceed 5% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of inventories

December 31, 2023

List 6

Unit: Thousand NTD

| Item | Amount | |
|----------------------|--------------------|--------------------------------|
| | Book value | Net realizable value (Note) |
| Raw materials | \$ 497,964 | \$ 500,004 |
| Supplies | 26,502 | 26,502 |
| Work in process | 402,390 | 743,972 |
| Finished goods | 130,761 | 189,259 |
| Inventory in transit | <u>5,350</u> | <u>5,350</u> |
| | <u>\$1,062,967</u> | <u>\$1,465,087</u> |

Note: Please refer to Note 4 Summarized Remarks on Significant Accounting Policies for the method for determining net realizable value.

San Fang Chemical Industry Co., Ltd.

Detailed list of changes to non-current financial assets at fair value through other comprehensive income

2023

List 7

Unit: All amounts are in thousand NTD, unless otherwise specified

| Name | Opening balance | | Increase in the current year (Note) | | Decrease in the current year | | Closing balance | | Guarantee or collateral provided |
|---|------------------|-----------------|-------------------------------------|-----------------|------------------------------|-------------|------------------|-----------------|----------------------------------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | |
| Stock | | | | | | | | | |
| Yuanta Financial Holding Co., Ltd. | 550,879 | \$11,954 | 8,263 | \$ 3,478 | - | \$ - | 559,142 | \$15,432 | N/A |
| Yeashin International Development Co., Ltd. | 1,837,848 | 40,708 | 114,889 | 28,321 | - | - | 1,952,737 | 69,029 | N/A |
| Liyu Venture Capital | 558,255 | <u>4,553</u> | - | <u>220</u> | - | <u>-</u> | 558,255 | <u>4,773</u> | N/A |
| | | <u>\$57,215</u> | | <u>\$32,019</u> | | <u>\$ -</u> | | <u>\$89,234</u> | |

Note: Valuation of unrealized profit was adjusted to NT\$32,019 thousand

San Fang Chemical Industry Co., Ltd.
Detailed list of changes to investments recognized under the equity method
2023

List 8

Unit: All amounts are in thousand NTD, unless otherwise specified

| Name of investee | Amount at beginning of year | | Increase in the current year (Note 1) | | Decrease in the current year (Note 2) | | Closing balance | | Net value of equity (Note 3) | | Guarantee or collateral provided | |
|---------------------------------------|-----------------------------|---------------------|--|-------------------|--|------------------|------------------|----------------|---------------------------------|------------------|----------------------------------|--------------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Shareholding % | Amount | Unit price (NTD) | | Total Amount |
| San Fang Development | 20,000,000 | \$ 1,515,492 | - | \$ 306,052 | - | \$ 18,559 | 20,000,000 | 100 | \$ 1,802,985 | \$ 91.28 | \$ 1,825,539 | N/A |
| Grand Capital Limited | 19,750,000 | 4,974,538 | - | 513,052 | - | 7,229 | 19,750,000 | 100 | 5,480,361 | 280.24 | 5,534,651 | N/A |
| San Fang Financial Holdings Co., Ltd. | 604,113 | 10,243 | - | 23 | - | - | 604,113 | 100 | 10,266 | 16.99 | 10,266 | N/A |
| Forich Advanced Materials Co., Ltd. | 7,698,545 | 103,975 | - | 17,087 | - | 7,699 | 7,698,545 | 100 | 113,363 | 14.73 | 113,363 | N/A |
| Bestac Advanced Material Co., Ltd. | 20,000,000 | <u>96,812</u> | - | <u>-</u> | - | <u>58,555</u> | 20,000,000 | 100 | <u>38,257</u> | 1.91 | <u>38,257</u> | N/A |
| | | <u>\$ 6,701,060</u> | | <u>\$ 836,214</u> | | <u>\$ 92,042</u> | | | <u>\$ 7,445,232</u> | | <u>\$ 7,522,076</u> | |

Note 1: The increase this year includes investment gains in the amount of NT\$759,906 thousand, unrealized gains from financial assets measured at fair value through other comprehensive income in the amount of NT\$12,493 thousand and realized gains from subsidiaries in the amount of NT\$63,815 thousand.

Note 2: The decrease this year includes investment losses in the amount of NT\$58,555 thousand, foreign translation adjustment in the amount of NT\$25,684 thousand, actuarial loss in the amount of NT\$104 thousand from the defined benefit plans, and cash dividends in the amount of NT\$7,699 thousand from investees.

Note 3: The net value of equity is calculated based on the investee's financial statements audited by an independent auditor and the Company's shareholding ratio.

San Fang Chemical Industry Co., Ltd.
Detailed list of other financial assets
December 31, 2023

List 9

Unit: Thousand NTD
(Unless otherwise specified)

| Name | Annual interest rate (%) | Period | Amount | Remarks |
|--|--------------------------------|-----------------------|-------------------|---------|
| Other financial assets – current | | | | |
| E.SUN Bank - time deposits | 4.8~5.5 | 2023.05.23~2024.12.12 | \$ 153,525 | |
| Mizuho Bank, Ltd. (Japan) - time deposits | 5.5~5.55 | 2023.09.18~2024.06.19 | 122,820 | |
| First Commercial Bank - time deposits | 5.42 | 2023.12.18~2024.06.18 | 61,410 | |
| First Commercial Bank - time deposits | 0.62 | 2023.12.22~2024.03.22 | 7,000 | Note 1 |
| Mega International Commercial Bank - time deposits | 0.55 | 2023.11.10~2024.02.10 | 3,044 | Note 1 |
| | | | <u>\$ 347,799</u> | |
| Other financial assets – noncurrent | | | | |
| Restricted bank deposits | | | | |
| CTBC Bank - time deposits | 5.47~5.5 | 2023.11.08~2024.12.26 | \$ 245,640 | Note 2 |
| Mizuho Bank, Ltd. (Japan) - time deposits | 5.31~5.55 | 2023.11.08~2024.11.08 | 184,230 | Note 2 |
| Bank SinoPac - time deposits | 5.5 | 2023.10.12~2024.01.12 | 92,115 | Note 2 |
| Mega International Commercial Bank - time deposits | 4.9~5.1 | 2023.08.10~2024.05.10 | 82,904 | Note 2 |
| | | | <u>\$ 604,889</u> | |

Note 1: NTD credit limit of NTD time deposits pledged.

Note 2: Dedicated account for the remittance of offshore funds back to Taiwan.

San Fang Chemical Industry Co., Ltd.
Detailed list of short-term borrowings

December 31, 2023

List 10

Unit: All amounts are in thousand NTD, unless
otherwise specified

| Type of borrowings and creditors | Loan period | Annual interest rate (%) | Balance | Credit limit | Collateral or guarantee |
|--|-----------------|--------------------------------|---------------------|--------------|----------------------------|
| Secured loans | | | | | |
| Mega International Commercial Bank | 2024.01~2024.03 | 1.75 | \$ 300,000 | \$ 310,000 | Land and buildings |
| CTBC Bank | 2024.01~2024.03 | 1.55 | 200,000 | 350,000 | Land and buildings |
| Bank of Taiwan | 2024.02 | 1.8 | <u>280,000</u> | 500,000 | Land and buildings |
| | | | <u>780,000</u> | | |
| Unsecured loans | | | | | |
| Bank SinoPac | 2024.03 | 1.8113 | 150,000 | 285,000 | N/A |
| Mizuho Bank, Ltd. | 2024.03 | 1.78 | 30,000 | 540,000 | N/A |
| Export-Import Bank of the Republic of China | 2024.06 | 1.47~2.0 | 200,000 | 200,000 | N/A |
| First Commercial Bank | 2024.01 | 1.82 | 200,000 | 300,000 | N/A |
| Far Eastern International Bank | 2024.02 | 1.82 | 100,000 | 300,000 | N/A |
| | | | <u>680,000</u> | | |
| | | | <u>\$ 1,460,000</u> | | |

San Fang Chemical Industry Co., Ltd.

Detailed list of accounts payable

December 31, 2023

List 11

Unit: Thousand NTD

| Name of Supplier | Amount |
|--|------------------|
| Related party | |
| Dongguan Baoliang | \$ 17,353 |
| Forich Advanced Materials Co., Ltd. | 8,499 |
| PTS | 3,131 |
| Other (Note) | <u>720</u> |
| | <u>29,703</u> |
| Non-related party | |
| Eefa Steel & Pipe Supply Co., Ltd. | 31,716 |
| Tah Kong Chemical Industrial Corporation | 20,615 |
| BASF | 19,436 |
| Liang Hongsheng | 18,260 |
| Other (Note) | <u>248,766</u> |
| | <u>338,793</u> |
| | <u>\$368,496</u> |

Note: None of the balances exceed 5% of the balance for this account.

San Fang Chemical Industry Co., Ltd.

Detailed list of long-term borrowings

December 31, 2023

List 12

Unit: Thousand NTD

| Creditor bank | Deadline and repayment rules | Annual interest rate (%) | Amount | | | Collateral or guarantee |
|------------------------------------|---|--------------------------|--------------------------|--------------------------|---------------------|-------------------------|
| | | | Expiring within one year | Expiring beyond one year | Total | |
| Secured loans | | | | | | |
| CTBC Bank | Repaid upon maturity in July 2026 | 1.78 | \$ - | \$ 350,000 | \$ 350,000 | Land and buildings |
| Taiwan Cooperative Bank | Repayment every six months from July 2021 to January 2024 | 1.783 | 50,000 | - | 50,000 | Land and buildings |
| Bank of Taiwan | Repayment every six months from November 2024 to May 2027 | 1.876 | 50,000 | 250,000 | 300,000 | Land and buildings |
| Mega International Commercial Bank | Repayment every six months from December 2021 to December 2024 | 1.78 | 140,000 | - | 140,000 | Land and buildings |
| Hua Nan Commercial Bank | Repayment every six months from March 2022 to September 2025 | 1.90 | <u>125,000</u> | <u>125,000</u> | <u>250,000</u> | Land and buildings |
| | | | <u>365,000</u> | <u>725,000</u> | <u>1,090,000</u> | |
| Unsecured loans | | | | | | |
| Far Eastern International Bank | Repaid upon maturity in June 2026 | 2.325 | - | 300,000 | 300,000 | N/A |
| Chang Hwa Commercial Bank | Repayment every six months from September 2024 to September, 2028 | 1.95 | 37,500 | 12,500 | 50,000 | N/A |
| First Commercial Bank | Repayment every six months from February 2022 to August 2024 | 1.95 | 100,000 | - | 100,000 | N/A |
| Bank SinoPac | Repayment every six months from August 2021 to February 2024 | 2.242 | 50,000 | - | 50,000 | N/A |
| Bank SinoPac | Repayment every six months from February 2024 to August 2025 | 2.122 | 75,000 | 75,000 | 150,000 | N/A |
| E.SUN Bank | Repaid upon maturity in December 2025 | 1.90 | - | 300,000 | 300,000 | N/A |
| Taiwan Cooperative Bank | Repayment every six months from January 2024 to July 2026 | 1.853 | <u>100,000</u> | <u>200,000</u> | <u>300,000</u> | N/A |
| | | | <u>362,500</u> | <u>887,500</u> | <u>1,250,000</u> | |
| | | | <u>\$ 727,500</u> | <u>\$ 1,612,500</u> | <u>\$ 2,340,000</u> | |

San Fang Chemical Industry Co., Ltd.

Detailed list of operating revenue

2023

List 13

Unit: Thousand NTD

| Item | Quantity | Amount |
|---------------------------------|--------------------------|---------------------------|
| Total sales revenue | | |
| Wet-processed synthetic leather | 13,821 thousand yards | \$3,243,357 |
| Dry-processed synthetic leather | 5,172 thousand yards | 1,545,760 |
| Leather work in progress | 9,500 thousand yards | 1,020,232 |
| Other (Note) | | <u>1,978,885</u> |
| | | 7,788,234 |
| Less: Sales return | 392 thousand yards | 116,163 |
| Sales discounts | | <u>85,516</u> |
| Net sales revenue | | <u><u>\$7,586,555</u></u> |

Note: None of the balances exceed 10% of the balance for this item.

San Fang Chemical Industry Co., Ltd.

Detailed list of operating costs

2023

List 14

Unit: Thousand NTD

| Item | Amount |
|--|---------------------------|
| Direct raw materials | |
| Raw materials at the beginning of the year | \$ 687,875 |
| Plus: Purchased in the current year | 4,298,093 |
| Other | 356 |
| Less: Transferred to expenses | 64,205 |
| Raw materials at the end of the year | <u>497,964</u> |
| | 4,424,155 |
| Direct labor | 183,034 |
| Manufacturing overhead | <u>1,030,770</u> |
| Manufacturing costs | 5,637,959 |
| Plus: Work in process at the beginning of the year | 454,306 |
| Purchased in the current year | 483,007 |
| Other | <u>38,237</u> |
| Less: Transferred to expenses | 22,375 |
| Work in process at the end of the year | <u>402,390</u> |
| Costs of finished goods | 6,188,744 |
| Plus: Finished goods at the beginning of the year | 153,722 |
| Purchased in the current year | 282,579 |
| Less: Other | 18,131 |
| Finished goods at the end of the year | <u>130,761</u> |
| Cost of production and sales | 6,476,153 |
| Loss on physical inventory | 3,891 |
| Income from sale of scraps | (7,047) |
| Raw materials plus profit (Note 27) | (14,769) |
| Operating costs | <u><u>\$6,458,228</u></u> |

San Fang Chemical Industry Co., Ltd.

Detailed list of operating expenses

2023

List 15

Unit: Thousand NTD

| Item | Selling expenses | Administrative expenses | Research and development expenses | Total |
|---|-------------------|-------------------------|-----------------------------------|-------------------|
| Payroll expenses (including director's remuneration) | \$ 60,400 | \$ 213,832 | \$ 105,240 | \$ 379,472 |
| Advertising | 84,321 | 480 | - | 84,801 |
| Commission expenses | 69,768 | - | - | 69,768 |
| Laboratory materials | - | - | 67,427 | 67,427 |
| Travel expenses | 23,223 | 16,009 | 7,550 | 46,782 |
| Depreciation | 4,642 | 13,236 | 12,598 | 30,476 |
| Miscellaneous expenses | 7,889 | 21,385 | 851 | 30,125 |
| Labor and health insurance premiums | 4,398 | 11,373 | 7,578 | 23,349 |
| Information related fees | 671 | 21,470 | 1,019 | 23,160 |
| Taxes | 22,576 | (660) | 59 | 21,975 |
| Other | <u>42,551</u> | <u>100,127</u> | <u>46,553</u> | <u>189,231</u> |
| Subtotal | <u>\$ 320,439</u> | <u>\$ 397,252</u> | <u>\$ 248,875</u> | 966,566 |
| Expected credit impairment gain | | | | (<u>2,379</u>) |
| | | | | <u>\$ 964,187</u> |

San Fang Chemical Industry Co., Ltd.

Summary of employee benefits, depreciation and amortization expenses by function

2023 and 2022

List 16

Unit: Thousand NTD

| | 2023 | | | 2022 | | |
|-------------------------------------|--|---|------------------|--|---|------------------|
| | Classified as operating costs | Classified as operating expenses | Total | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salary expenses | \$293,367 | \$355,681 | \$649,048 | \$341,138 | \$278,077 | \$619,215 |
| Labor and health insurance premiums | 23,217 | 23,349 | 46,566 | 29,774 | 20,141 | 49,915 |
| Pension expenses | 10,843 | 12,753 | 23,596 | 13,730 | 10,905 | 24,635 |
| Director's remuneration | - | 23,791 | 23,791 | - | 15,185 | 15,185 |
| Other employee benefit expenses | <u>11,344</u> | <u>13,447</u> | <u>24,791</u> | <u>15,153</u> | <u>10,749</u> | <u>25,902</u> |
| | <u>\$338,771</u> | <u>\$429,021</u> | <u>\$767,792</u> | <u>\$399,795</u> | <u>\$335,057</u> | <u>\$734,852</u> |
| Depreciation expense | \$289,128 | \$ 30,476 | \$319,604 | \$333,208 | \$ 34,219 | \$367,427 |
| Amortization expense | 331 | 8,819 | 9,150 | 331 | 9,486 | 9,817 |

Note 1: The Company had an average of 617 and 734 employees in 2023 and 2022, respectively, as well as 7 directors who were not concurrently employees in both periods.

Note 2: 1. Average employee benefit expenses [(Total employee benefit expenses – Total director's remuneration)/(Number of employees - Number of directors who not concurrently employees)] were NT\$1,220 thousand and NT\$990 thousand in 2023 and 2022, respectively.

2. Average employee salary expenses [(Total employee salary expenses/Number of employees – Number of directors who not concurrently employees)] were NT\$1,064 thousand and NT\$852 thousand in 2023 and 2022, respectively.

3. Adjustments and changes to average employee salary expenses [(Average employee salary expenses in the current year – Average employee salary expenses in the previous year)/Average employee salary expenses in the previous year]: 24.88%.

4. The Company does not have any supervisors.

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5. The Company's remuneration policy (including directors, managers, and employees) is as follows:
 - (1) Ensure that the Company's overall remuneration policy is in compliance with the law and sufficient to attract outstanding talent needed for the Company's development.
 - (2) Set the percentage allocated as directors' remuneration each year after referencing shareholders' equity, the Company's dividends over the years, and industry standards.
 - (3) The remuneration policy for the president, vice presidents, and managers in equivalent positions is recommended by the Remuneration Committee after taking into consideration the Company's business strategy, profitability, performance, and the individual's contribution, as well as salary levels in the market and offered by competitors. The remuneration policy is implemented after being approved by the Board of Directors.
 - (4) The remuneration policy for employees is designed to encourage employees to achieve better work performance. In addition to salaries, the individual performance of employees is evaluated based on the production, business, and other performance goals set by the Company, and various performance bonuses are distributed to personnel who serve specific functions, such as production, business, and R&D. Depending on the profits each year, year-end bonuses and other bonuses are distributed to reward employees.
 - (5) The remuneration of directors, managers, and employees must be strongly correlated with business performance or results.