

San Fang Chemical Industry Co.,
Ltd. and Subsidiaries

CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW
REPORT OF INDEPENDENT
AUDITORS

FOR THE THREE-MONTH PERIODS
ENDED MARCH 31 OF 2024 AND 2023

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§Table of Contents§

Item	Page	Financial Statements Note No.
I. Cover Page	1	-
II. Table of Contents	2	-
III. Review Report of Independent Auditors	3~5	-
IV. Consolidated Balance Sheet	6	-
V. Consolidated Statement of Comprehensive Income	7~9	-
VI. Consolidated Statement of Changes in Equity	10	-
VII. Consolidated Cash Flow Statement	11~112	-
VIII. Notes to the Consolidated Financial Statements		
(I) Company History	13	1
(II) Date and Procedures of Approval of the Financial Statements	13	2
(III) Application of New Standards, Amendments, and Interpretations	13~15	3
(IV) Summarized Remarks on Significant Accounting Policies	15~16	4
(V) Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions	16	5
(VI) Description of Significant Accounting Items	17~43	6~26
(VII) Related Party Transactions	43~44	27
(VIII) Pledged Assets	45	28
(IX) Significant Contingent Liabilities and Unrecognized Contractual Commitments	45	29
(X) Significant Disaster Loss	-	-
(XI) Major Subsequent Events	-	-
(XII) Other Matters	45~46	30
(XIII) Information on Foreign Currency Financial Assets and Liabilities with a Significant Impact	46~47	31
(XIV) Supplementary Disclosures		
1. Information on Major Transactions	46, 52~56	32
2. Information on Investees	47~48, 57~58	32
3. Information on Investments in China	48~49, 59	32
4. Business Relationship and Major Transactions between the Parent Company and Subsidiaries	47, 60~61	32
5. Information on Major Shareholders	47~48, 62	32
(XV) Segment Information	47~51	33

Review Report of Independent Auditors

To San Fang Chemical Industry Co., Ltd.:

Preface

We have reviewed the consolidated financial statements of San Fang Chemical Industry Co., Ltd. and its subsidiaries (“San Fang Group” collectively) for the three-month periods ended March 31, 2024 and 2023, including the consolidated balance sheet as of March 31, 2024 and 2023, the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the three-month period then ended, and the notes to the consolidated financial statements (including a summary of significant accounting policy). It is the management’s responsibility to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34 “interim Financial Reporting” as endorsed and promulgated by the Financial Supervisory Commission (FSC). Our responsibility is to draw conclusions on the consolidated financial statements based on the review results.

Scope of Review

Except as stated in the section of Basis for Qualified Conclusion, we conducted our review in accordance with the TWSRE2410 Review of Financial Information Performed by the Independent Auditor of the Entity. The procedures performed in the review of consolidated financial statements include inquiries (primarily inquiring persons responsible for financial and accounting matters), analytical procedures, and other review procedures. The scope of review is substantially less than the scope of an audit. Hence, we may not be able to obtain assurance on all significant matters that an audit could otherwise provide, and therefore we are unable to express an audit opinion.

Basis for Qualified Conclusion

As mentioned in Note 12 of the consolidated financial statements, some consolidated subsidiaries that are not significant subsidiaries didn’t have their financial statements for the same periods reviewed by CPAs; their assets totaled NT\$453,818 thousand and NT\$457,939

thousand, respectively, as of March 31, 2024 and 2023, both accounting for 3% of the consolidated assets. Their liabilities totaled NT\$202,496 thousand and NT\$101,515 thousand, accounting for 3% and 1% of the consolidated liabilities. Their comprehensive income totaled NT\$27,728 thousand and NT\$1,465 thousand, respectively, as of the three-month period ended March 31, 2024 and 2023, accounting for 4% and 1%, respectively, of the consolidated comprehensive income.

Qualified Conclusion

Based on our review, except the financial statements of some non-significant subsidiaries mentioned in the Basis for Qualified Conclusion section that would have impacted the consolidated financial statements had they been reviewed by CPAs, nothing came to our attention that caused us to believe that the aforementioned consolidated financial statements, in all material aspects, were not prepared by IAS 34 Interim Financial Reporting endorsed and promulgated by the FSC and the Regulations Governing the Preparation of Financial Reports by Securities Issuers to an extent unable to fairly present the financial position of San Fang Chemical Group as of March 31, 2024 and 2023 and its consolidated cash flows and financial performance for the three-month periods then ended.

Deloitte Taiwan

CPA Teng-Wei Wang

CPA Yu-Hsiang Liu

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi

No.1100356048

Financial Supervisory Commission Approval

No.:

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

May 8, 2024

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
March 31, 2024, December 31, 2023, and March 31, 2023

Code	Assets	March 31, 2024		December 31, 2023		Unit: Thousand NTD March 31, 2023	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 4,939,319	30	\$ 4,765,044	31	\$ 4,703,033	30
1110	Current financial assets at fair value through profit or loss (Note 7)	105,790	1	100,589	1	95,367	1
1150	Notes receivable (Note 9)	18,212	-	24,507	-	22,513	-
1170	Net accounts receivable (Note 9)	1,144,330	7	1,000,724	6	1,120,618	7
1180	Accounts receivable – related parties (Notes 9 and 27)	365,911	2	295,079	2	427,188	3
1200	Other receivables	173,752	1	138,124	1	101,027	1
1220	Current income tax assets (Note 4)	15,854	-	15,201	-	60,961	-
130X	Inventories (Note 10)	1,685,568	10	1,614,941	10	2,104,535	14
1410	Advance payments	182,127	1	154,562	1	246,841	2
1476	Other financial assets – current (Notes 11 and 28)	1,236,897	8	1,123,678	7	338,054	2
1479	Other current assets	36,550	-	34,650	-	36,407	-
11XX	Total current assets	<u>9,904,310</u>	<u>60</u>	<u>9,267,099</u>	<u>59</u>	<u>9,256,544</u>	<u>60</u>
	Non-current assets						
1517	Financial assets at fair value through other comprehensive income (Note 8)	132,238	1	119,687	1	88,113	1
1600	Property, plant, and equipment (Notes 13 and 28)	5,317,780	32	5,150,904	33	5,079,284	33
1755	Right-of-use assets (Note 14)	161,386	1	159,703	1	155,769	1
1760	Investment properties (Notes 15 and 28)	108,972	1	109,189	1	109,839	1
1801	Other intangible assets	26,260	-	29,153	-	16,150	-
1805	Goodwill	35,759	-	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4)	65,059	1	94,242	1	77,413	-
1915	Advance payments for land and equipment (Note 13)	43,183	-	28,284	-	26,275	-
1920	Refundable deposits	26,782	-	26,238	-	26,357	-
1980	Other financial assets – noncurrent (Note 11)	630,400	4	604,889	4	590,309	4
1990	Other non-current assets	5,685	-	5,824	-	2,819	-
15XX	Total non-current assets	<u>6,553,504</u>	<u>40</u>	<u>6,363,872</u>	<u>41</u>	<u>6,208,087</u>	<u>40</u>
1XXX	Total assets	<u>\$ 16,457,814</u>	<u>100</u>	<u>\$ 15,630,971</u>	<u>100</u>	<u>\$ 15,464,631</u>	<u>100</u>
	Liabilities and equity interests						
	Current liabilities						
2100	Short-term borrowings (Note 16 and 28)	\$ 1,605,000	10	\$ 1,490,000	10	\$ 1,490,000	10
2110	Short-term notes and bills payable (Note 16)	-	-	49,967	-	29,993	-
2130	Current contract liabilities (Note 21)	14,641	-	13,776	-	6,137	-
2170	Accounts payable (Note 17)	524,890	3	377,049	2	600,600	4
2216	Dividends payable (Note 20)	596,727	4	-	-	318,255	2
2219	Other payables (Note 18)	830,346	5	830,216	5	673,273	5
2230	Current income tax liabilities (Note 4)	268,313	2	206,812	1	164,033	1
2280	Current lease liabilities (Note 14)	6,461	-	7,099	-	4,190	-
2320	Current portion of long-term liabilities (Notes 16 and 28)	635,000	4	747,500	5	966,500	6
2399	Other current liabilities	73,274	-	73,173	1	51,501	-
21XX	Total current liabilities	<u>4,554,652</u>	<u>28</u>	<u>3,795,592</u>	<u>24</u>	<u>4,304,482</u>	<u>28</u>
	Non-current liabilities						
2540	Long-term borrowings (Notes 16 and 28)	1,645,000	10	1,687,500	11	1,705,500	11
2570	Deferred income tax liabilities (Note 4)	1,122,219	7	1,097,675	7	1,063,373	7
2580	Non-current lease liabilities (Note 14)	5,939	-	7,238	-	2,117	-
2640	Net defined benefit liability – non-current	66,268	-	87,221	1	83,809	-
2645	Guarantee deposits received	13,054	-	12,746	-	12,757	-
25XX	Total non-current liabilities	<u>2,852,480</u>	<u>17</u>	<u>2,892,380</u>	<u>19</u>	<u>2,867,556</u>	<u>18</u>
2XXX	Total liabilities	<u>7,407,132</u>	<u>45</u>	<u>6,687,972</u>	<u>43</u>	<u>7,172,038</u>	<u>46</u>
	Equity attributable to owners of the Company (Note 20)						
3110	Capital stock – common	3,978,181	24	3,978,181	25	3,978,181	26
3200	Capital surplus	145,330	1	145,330	1	145,330	1
	Retained earnings						
3310	Legal reserve	1,612,553	10	1,536,540	10	1,536,540	10
3320	Special reserve	504,790	3	504,790	3	648,571	4
3350	Undistributed earnings	2,599,995	16	2,858,770	18	2,112,745	14
3300	Total retained earnings	4,717,338	29	4,900,100	31	4,297,856	28
3400	Other equity interest	209,833	1	(80,612)	-	(128,774)	(1)
3XXX	Total equity	<u>9,050,682</u>	<u>55</u>	<u>8,942,999</u>	<u>57</u>	<u>8,292,593</u>	<u>54</u>
	Total liabilities and equity interests	<u>\$ 16,457,814</u>	<u>100</u>	<u>\$ 15,630,971</u>	<u>100</u>	<u>\$ 15,464,631</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
(Please refer to the review report issued by Deloitte Taiwan on May 8, 2024)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
for the three-month periods ended March 31, 2024 and 2023

Unit: Thousand NTD, EPS in NTD

Code		For the three-month period ended March 31, 2024		For the three-month period ended March 31, 2023	
		Amount	%	Amount	%
4000	Net operating revenues (Notes 21 and 27)	\$ 2,604,110	100	\$ 2,609,698	100
5000	Operating costs (Notes 10 and 22)	<u>1,833,965</u>	<u>70</u>	<u>1,987,167</u>	<u>76</u>
5900	Operating margin	<u>770,145</u>	<u>30</u>	<u>622,531</u>	<u>24</u>
	Operating expenses (Notes 9 and 22)				
6100	Selling expenses	148,063	6	127,833	5
6200	Administrative and general affairs expenses	190,772	7	169,720	6
6300	Research and development expenses	95,520	4	72,150	3
6450	Expected credit impairment loss	<u>798</u>	<u>-</u>	<u>592</u>	<u>-</u>
6000	Total operating expenses	<u>435,153</u>	<u>17</u>	<u>370,295</u>	<u>14</u>
6900	Operating net profit	<u>334,992</u>	<u>13</u>	<u>252,236</u>	<u>10</u>
	Non-operating income and expenses (Note 22)				
7100	Interest income	53,799	2	27,101	1
7010	Other income	19,876	1	4,155	-
7020	Other profits and losses	146,391	6	(28,949)	(1)
7050	Financial costs	(<u>18,063</u>)	(<u>1</u>)	(<u>18,166</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>202,003</u>	<u>8</u>	(<u>15,859</u>)	(<u>1</u>)
7900	Pre-tax profit	536,995	21	236,377	9
7950	Income tax expense (Notes 4 and 23)	<u>123,030</u>	<u>5</u>	<u>78,493</u>	<u>3</u>
8200	Net income	<u>413,965</u>	<u>16</u>	<u>157,884</u>	<u>6</u>

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Code		For the three-month period ended March 31, 2024		For the three-month period ended March 31, 2023	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	\$ 12,551	-	\$ 12,938	1
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	<u>277,894</u>	<u>11</u>	(<u>42,272</u>)	(<u>2</u>)
8300	Other comprehensive income for the period	<u>290,445</u>	<u>11</u>	(<u>29,334</u>)	(<u>1</u>)
8500	Total comprehensive income	<u>\$ 704,410</u>	<u>27</u>	<u>\$ 128,550</u>	<u>5</u>
8600	Profit attributable to:				
8610	Owners of the company	<u>\$ 413,965</u>	<u>16</u>	<u>\$ 157,884</u>	<u>6</u>
8700	Comprehensive income attributable to:				
8710	Owners of the company	<u>\$ 704,410</u>	<u>27</u>	<u>\$ 128,550</u>	<u>5</u>

	Earnings per share (Note 24)		
9750	Basic	<u>\$ 1.04</u>	<u>\$ 0.40</u>
9850	Diluted	<u>\$ 1.04</u>	<u>\$ 0.40</u>

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

(Please refer to the review report issued by Deloitte Taiwan on May 8, 2024)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing
Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
for the three-month periods ended March 31, 2024 and 2023

Unit: Thousand NTD

Code		Equity attributable to shareholders of the Company					Other equity interests		Subtotal	Total equity
		Capital stock – common	Capital surplus	Legal reserve	Retained earnings 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, 2024	\$3,978,181	\$ 145,330	\$1,536,540	\$ 504,790	\$2,858,770	(\$ 154,472)	\$ 73,860	(\$ 80,612)	\$8,942,999
	Appropriation and distribution of earnings of 2023 (Note 20)									
B1	Legal reserve	-	-	76,013	-	(76,013)	-	-	-	-
B5	Cash dividends	-	-	-	-	(596,727)	-	-	-	(596,727)
		-	-	76,013	-	(672,740)	-	-	-	(596,727)
D1	Net profit for the three-month period ended March 31, 2024	-	-	-	-	413,965	-	-	-	413,965
D3	Other comprehensive income after tax for the three-month period ended March 31, 2024	-	-	-	-	-	277,894	12,551	290,445	290,445
D5	Total comprehensive income for the three-month period ended March 31, 2024	-	-	-	-	413,965	277,894	12,551	290,445	704,410
Z1	Balance as at March 31, 2024	\$3,978,181	\$ 145,330	\$1,612,553	\$ 504,790	\$2,599,995	\$ 123,422	\$ 86,411	\$ 209,833	\$9,050,682
A1	Balance as at Sunday, January 1, 2023	\$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 earnings of 2022 (Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
		-	-	47,812	-	(366,067)	-	-	-	(318,255)
D1	Net profit for the three-month period ended March 31, 2023	-	-	-	-	157,884	-	-	-	157,884
D3	Other comprehensive income after tax for the three-month period ended March 31, 2023	-	-	-	-	-	(42,272)	12,938	(29,334)	(29,334)
D5	Total comprehensive income for the three-month period ended March 31, 2023	-	-	-	-	157,884	(42,272)	12,938	(29,334)	128,550
Z1	Balance as at Friday, March 31, 2023	\$3,978,181	\$ 145,330	\$1,536,540	\$ 648,571	\$2,112,745	(\$ 171,060)	\$ 42,286	(\$ 128,774)	\$8,292,593

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

(Please refer to the review report issued by Deloitte Taiwan on May 8, 2024)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Cash Flow Statement
for the three-month periods ended March 31, 2024 and 2023

Unit: Thousand NTD

Code		For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
	Cash flow from operating activities		
A10000	Profit before tax	\$ 536,995	\$ 236,377
A20010	Revenues and expenses		
A20100	Depreciation expense	142,113	157,570
A20200	Amortization expense	3,253	2,329
A20300	Expected credit impairment loss	798	592
A20400	Net gains from financial instruments at fair value through profit or loss	(5,201)	(1,043)
A20900	Financial costs	18,063	18,166
A21200	Interest income	(53,799)	(27,101)
A22500	Net gains on disposal of property, plant, and equipment	(20)	(768)
A23800	Loss on inventory devaluation (gain on recovery)	(3,790)	16,054
A29900	Other	139	82
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	6,295	(8,126)
A31150	Accounts receivable	(144,404)	(31,989)
A31160	Accounts receivable – related parties	(70,832)	(153,476)
A31180	Other receivables	(685)	(42,296)
A31200	Inventories	(67,154)	(17,620)
A31230	Advance payments	(27,565)	(40,624)
A31240	Other current assets	(1,900)	(10,939)
A32125	Contract liabilities	865	563
A32150	Accounts payable	147,841	107,278
A32180	Other payables	7,647	(68,114)
A32230	Other current liabilities	101	24,021
A32240	Net defined benefit liability	(20,953)	(5,810)
A33000	Cash generated from operating activities	467,807	155,126
A33100	Interest received	18,856	14,114
A33300	Interest paid	(18,479)	(18,501)
A33500	Income tax paid	(8,655)	(2,802)
AAAA	Net cash inflow from operating activities	459,529	147,937

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<u>Code</u>		<u>For the three-month period ended March 31, 2024</u>	<u>For the three-month period ended March 31, 2023</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 238,448)	(\$ 53,493)
B02800	Proceeds from disposal of property, plant and equipment	23	1,363
B03700	Increase in refundable deposits	(544)	-
B03800	Decrease in refundable deposits	-	51
B04500	Acquisition of intangible assets	-	(598)
B06500	Increase of other financial assets	(138,730)	-
B06600	Decrease of other financial assets	<u>-</u>	<u>4,797</u>
BBBB	Net cash outflow from investing activities	<u>(377,699)</u>	<u>(47,880)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	115,000	-
C00200	Decrease in short-term borrowings	-	(50,000)
C00500	Increase in short-term notes and bills payable	-	30,000
C00600	Decrease in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	450,000	90,000
C01700	Repayment of long-term borrowing	(605,000)	(266,000)
C03000	Increase in guarantee deposits	308	-
C03100	Decrease in guarantee deposits received	-	(38)
C04020	Repayments of lease liabilities	<u>(1,937)</u>	<u>(1,708)</u>
CCCC	Net cash outflow from financing activities	<u>(91,629)</u>	<u>(197,746)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>184,074</u>	<u>(29,643)</u>
EEEE	Increase (decrease) in cash and cash equivalents	174,275	(127,332)
E00100	Cash and cash equivalents at beginning of period	<u>4,765,044</u>	<u>4,830,365</u>
E00200	Cash and cash equivalents at end of period	<u>\$4,939,319</u>	<u>\$4,703,033</u>

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

(Please refer to the review report issued by Deloitte Taiwan on May 8, 2024)

Chairman: Mun-Jin Lin

Managers: Chih-I Lin

Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
for the three-month periods ended March 31, 2024 and 2023
(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 consolidated financial statements are presented in the Company's functional currency NTD.

II. Date and Procedures of Approval of the Financial Statements

The consolidated financial statements were approved by the Board of Directors on May 8, 2024.

III. Application of New Standards, Amendments, and Interpretations

(I) First-time 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)

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 and entities controlled by the Company (hereinafter referred to as the "Consolidated Entity").

(II) New IFRS Accounting Standards issued by IASB but not yet 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

IFRS 18 "Presentation and Disclosure of Financial Statements" January 1, 2027

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. When applying the amendment initially, an entity may not restate its financial statements for the comparative period and must recognize the effects under the impacted asset or liability items, or under the exchange differences arising from the translation of the financial statements of foreign operations under retained earnings or equity (where appropriate).

IFRS 18 "Presentation and Disclosure of Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of Financial Statements". The main changes in this standard include the followings:

- . Items of income and expense are required to be classified into categories in the statement of profit or loss, namely, Operating, Investing, Financing, Income Tax, and Discontinued Operations.
- . Entities are required to present in their financial statements the totals and subtotals of operating profit or loss, profit or loss before financing and income tax, and profit or loss.
- . The standard provides guidelines for improving the aggregation and disaggregation requirements: The Consolidated Entity is required to identify assets, liabilities, equity, income and expenses, and cash flows that arise from individual transactions or other events, and to classify them into groups based on shared characteristics, resulting in line items in the primary financial statements that share at least one characteristic. Items with different characteristics must be further disaggregated in the primary financial statements and the notes thereto. The Consolidated Entity may not categorize an item as "Others" unless a more informative name is unavailable.
- . Introduction of disclosures on Management-defined Performance

Measures (MPMs): During public communications outside the financial statements or communication with financial statements users on the management's view of an aspect of the Consolidated Entity's financial performance, a Consolidated Entity must disclose its MPMs in a single note of the financial statements; such disclosures must include a description of the MPM and how the MPM has been calculated, a reconciliation of the MPM to the most directly comparable subtotal or total specified by IFRSs, and effect of tax and non-controlling interests separately for each reconciled item.

Aside from the impacts stated above, as of the date this consolidated financial statements were passed, the Consolidated Entity had been evaluating the impact of the amendments to other standards and interpretations on its financial position and 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" and IAS 34 "Interim Financial Reporting" endorsed and announced by the FSC. These consolidated financial statements did not include all the items required by IFRS Accounting Standard for consolidated financial statements for the entire year.

(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 consolidated 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.

(III) Basis of consolidation

Please refer to Note 12, Table 6, and Table 7 for the detailed list, shareholding ratio, and business items of subsidiaries included in the consolidated financial statements.

(IV) Other Significant Accounting Policies

For information beyond those listed below, please refer to the Summarized Remarks on Significant Accounting Policies in the consolidated financial statements of 2023.

1. 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 to which the rights attached on the balance sheet date do not encompass the right to extend the repayment due date 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.

2. Defined post-employment benefit

The pension cost during the interim period is calculated at the pension cost rate determined by actuarial calculation on the closing date of the preceding financial year for the entire preceding fiscal year,

adjusted for any major market changes, major plan changes, liquidations, or other major one-off events during the current period.

3. Income tax

Income tax expense is the sum of current income tax and deferred income tax. The income tax of the interim period is calculated on an annual basis by applying the interim profit before tax to the tax rate applicable to the anticipated annual earnings.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

For Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions adopted in these consolidated financial statements, please refer to the consolidated financial statements of 2023.

VI. Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and working capital	\$ 2,475	\$ 2,088	\$ 2,825
Bank check and demand deposits	2,442,844	2,399,376	2,985,753
Cash equivalents			
Time deposits within 3 months of its original maturity date	2,494,000	2,363,580	1,653,555
Bonds issued under repurchase agreement	-	-	60,900
	<u>\$ 4,939,319</u>	<u>\$ 4,765,044</u>	<u>\$ 4,703,033</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Cash equivalents			
Time deposits within 3 months of its original maturity date (%)	0.59~5.3	0.59~5.6	0.48~4.96
Bonds issued under repurchase agreement	-	-	4.4~4.6

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

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets for which the fair value is required to be measured through profit or loss			
Fund beneficiary certification	<u>\$ 105,790</u>	<u>\$ 100,589</u>	<u>\$ 95,367</u>

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Investments in equity instruments measured at fair value through other comprehensive income			
Listed stock in Taiwan	\$ 127,314	\$ 114,914	\$ 83,560
Unlisted stock in Taiwan	4,924	4,773	4,553
	<u>\$ 132,238</u>	<u>\$ 119,687</u>	<u>\$ 88,113</u>

IX. Notes and accounts receivable

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Arising from operation			
Notes receivable – unrelated parties Measured at amortized cost			
Total book value	<u>\$ 18,212</u>	<u>\$ 24,507</u>	<u>\$ 22,513</u>
Accounts receivable – unrelated parties Measured at amortized cost			
Total book value	\$1,147,738	\$1,003,332	\$1,126,508
Less: Loss provision	3,408	2,608	5,890
	<u>\$1,144,330</u>	<u>\$1,000,724</u>	<u>\$1,120,618</u>
Accounts receivable – related parties Measured at amortized cost			
Total book value	<u>\$ 365,911</u>	<u>\$ 295,079</u>	<u>\$ 427,188</u>

The Consolidated Entity's average credit period for sale of goods is open account 30~120 days. Designated personnel of the Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity believes that its credit risk has significantly decreased.

The Consolidated Entity 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 Consolidated Entity relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups in the provision matrix, and expected credit loss rate is only set by the number of days receivables are overdue.

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

March 31, 2024

	Not past due	1~90 days past due	91~180 days past due	181~360 days past due	More than 361 days late	Total
Expected credit loss rate (%)	0~2	0.05~14	5~49	-	90~99	
Total book value	\$1,283,319	\$ 242,204	\$ 5,757	\$ -	\$ 581	\$1,531,861
Loss provision (lifetime ECL)	(<u>286</u>)	(<u>1,603</u>)	(<u>967</u>)	-	(<u>552</u>)	(<u>3,408</u>)
Amortized cost	<u>\$1,283,033</u>	<u>\$ 240,601</u>	<u>\$ 4,790</u>	<u>\$ -</u>	<u>\$ 29</u>	<u>\$1,528,453</u>

December 31, 2023

	Not past due	1~90 days past due	91~180 days past due	181~360 days past due	More than 361 days late	Total
Expected credit loss rate (%)	-	0~0.03	0.04~0.12	0.12~38	58~92	
Total book value	\$1,090,714	\$ 226,849	\$ 1,571	\$ 30	\$ 3,754	\$1,322,918
Loss provision (lifetime ECL)	-	(<u>1</u>)	-	-	(<u>2,607</u>)	(<u>2,608</u>)
Amortized cost	<u>\$1,090,714</u>	<u>\$ 226,848</u>	<u>\$ 1,571</u>	<u>\$ 30</u>	<u>\$ 1,147</u>	<u>\$1,320,310</u>

March 31, 2023

	Not past due	1~90 days past due	91~180 days past due	181~360 days past due	More than 361 days late	Total
Expected credit loss rate (%)	-	0~0.19	0~1	0~19	82~100	
Total book value	\$1,325,961	\$ 234,210	\$ 6,006	\$ 3,167	\$ 6,865	\$1,576,209
Loss provision (lifetime ECL)	-	(<u>21</u>)	(<u>24</u>)	(<u>140</u>)	(<u>5,705</u>)	(<u>5,890</u>)
Amortized cost	<u>\$1,325,961</u>	<u>\$ 234,189</u>	<u>\$ 5,982</u>	<u>\$ 3,027</u>	<u>\$ 1,160</u>	<u>\$1,570,319</u>

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

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Balance at beginning of period	\$ 2,608	\$ 5,298
Allocated in the current period	798	592
Net currency translation difference	<u>2</u>	-
Closing balance	<u>\$ 3,408</u>	<u>\$ 5,890</u>

X. Inventories

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 820,735	\$ 784,555	\$1,179,204
Supplies	36,226	33,524	30,626
Work in process	590,907	522,199	658,351
Finished goods	233,655	271,495	235,947
Inventory in transit	4,045	3,168	407
	<u>\$1,685,568</u>	<u>\$1,614,941</u>	<u>\$2,104,535</u>

Inventory-related operating costs amounted to NT\$1,833,965 thousand in 2024 and NT\$1,987,167 thousand in 2023, including:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Loss on inventory devaluation (gain on recovery)	(\$ 3,790)	\$ 16,054
Income from sale of scraps	(2,731)	(1,705)
	<u>(\$ 6,521)</u>	<u>\$ 14,349</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 the selling price of inventory.

XI. Other financial assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Time deposits more than 3 months from its original maturity date	\$1,226,853	\$1,113,634	\$ 338,054
Pledged time deposits	10,044	10,044	-
	<u>\$1,236,897</u>	<u>\$1,123,678</u>	<u>\$ 338,054</u>
Annual interest rate of time deposits (%)	0.55~5.55	0.55~5.55	1.03~5.2
<u>Noncurrent</u>			
Restricted bank deposits			
Time deposits	\$ 630,400	\$ 604,889	\$ 456,750
Demand deposits	-	-	133,559
	<u>\$ 630,400</u>	<u>\$ 604,889</u>	<u>\$ 590,309</u>
Annual interest rate of time deposits (%)	4.3~5.55	4.9~5.55	4.75~4.9

(I) Restricted bank deposits are deposited into a designated foreign currency

deposits account by the Consolidated Entity 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 Consolidated Entity 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. Subsidiary

The consolidated financial statements mainly discloses on formation on the following entities:

Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	San Fang Development Co., Ltd.	Investment	100	100	100	-
	San Fang Financial Holdings Co., Ltd.	Investment	100	100	100	-
	Grand Capital Limited (GCL)	Investment	100	100	100	-
	Forich Advanced Materials Co., Ltd.	Manufacturing and sales of chemical products	100	100	100	Note
	Bestac Advanced Material Co., Ltd.	Manufacturing and sales of chemical products	100	100	100	Note
San Fang Development	San Fang International Co., Ltd.	Investment	100	100	100	-
	Brave Business Holding Limited(BBH)	Investment	100	100	100	-

Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2024	December 31, 2023	March 31, 2023	
GCL	Grand International Investment Corporation Limited (GII)	Investment	100	100	100	-
	Java Ocean Business Limited (JOB)	Investment	100	100	100	-
San Fang International	Megatrade Profits Limited (MPL)	Investment	100	100	100	-
	Giant Tramp Limited (GTL)	Investment	100	100	100	-
MPL	Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	36.84	36.84	36.84	-
GTL	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	7.02	7.02	7.02	-
BBH	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	56.14	56.14	56.14	-
GII	San Fang Vietnam Corporation Limited(SFV)	Material processing	100	100	100	-
JOB	PT. San Fang Indonesia(PTS)	Manufacturing and sales of artificial leather, synthetic resin, and other materials	99.99	99.99	99.99	-
GII	PTS	Manufacturing and sales	0.01	0.01	0.01	-

of artificial leather,
synthetic resin, and
other materials

Note: This is the information on non-significant subsidiaries derived from their financial statements for the same periods not reviewed by CPAs, including total assets of NT\$453,818 thousand and NT\$457,939 thousand, respectively, as of March 31, 2024 and 2023, total liabilities of NT\$202,496 thousand and NT\$101,515 thousand, respectively, as of March 31, 2024 and 2023, and total comprehensive income of NT\$27,728 thousand and NT\$1,465 thousand, respectively, for the three-month periods ended March 31, 2024 and 2023.

XIII. Property, plant and equipment

For the three-month period ended March 31, 2024

	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 Monday, January 1, 2024	\$ 1,829,099	\$ 3,425,142	\$ 6,770,148	\$ 2,563,040	\$ 539,214	\$ 15,126,643
Addition	-	5,267	12,325	24,474	174,415	216,481
Disposal	-	-	(7,487)	(18,899)	-	(26,386)
Net currency translation difference	13,622	67,538	113,146	55,397	22,925	272,628
Balance as at March 31, 2024	<u>\$ 1,842,721</u>	<u>\$ 3,497,947</u>	<u>\$ 6,888,132</u>	<u>\$ 2,624,012</u>	<u>\$ 736,554</u>	<u>\$ 15,589,366</u>
<u>Accumulated depreciation and impairment</u>						
Balance as at Monday, January 1, 2024	\$ -	\$ 2,118,431	\$ 5,847,630	\$ 2,009,678	\$ -	\$ 9,975,739
Disposal	-	-	(7,487)	(18,896)	-	(26,383)
Depreciation expense	-	26,007	77,021	35,740	-	138,768
Net currency translation difference	-	38,286	98,058	47,118	-	183,462
Balance as at March 31, 2024	<u>\$ -</u>	<u>\$ 2,182,724</u>	<u>\$ 6,015,222</u>	<u>\$ 2,073,640</u>	<u>\$ -</u>	<u>\$ 10,271,586</u>
Net amount as of December 31, 2023 and January 1, 2024	<u>\$ 1,829,099</u>	<u>\$ 1,306,711</u>	<u>\$ 922,518</u>	<u>\$ 553,362</u>	<u>\$ 539,214</u>	<u>\$ 5,150,904</u>
Net amount as at March 31, 2024	<u>\$ 1,842,721</u>	<u>\$ 1,315,223</u>	<u>\$ 872,910</u>	<u>\$ 550,372</u>	<u>\$ 736,554</u>	<u>\$ 5,317,780</u>

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For the three-month period ended March 31, 2023

Cost	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Balance as at Sunday, January 1, 2023	\$ 1,589,529	\$ 3,334,816	\$ 6,773,048	\$ 2,508,356	\$ 107,524	\$ 14,313,273
Addition	237,579	10,992	11,141	22,183	77,837	359,732
Disposal	-	(700)	(984)	(15,667)	-	(17,351)
Net currency translation difference	(691)	(11,755)	(20,093)	(9,979)	(198)	(42,716)
Balance as at Friday, March 31, 2023	<u>\$ 1,826,417</u>	<u>\$ 3,333,353</u>	<u>\$ 6,763,112</u>	<u>\$ 2,504,893</u>	<u>\$ 185,163</u>	<u>\$ 14,612,938</u>
<u>Accumulated depreciation</u>						
Balance as at Sunday, January 1, 2023	\$ -	\$ 2,025,759	\$ 5,488,525	\$ 1,912,297	\$ -	\$ 9,426,581
Disposal	-	(700)	(984)	(15,072)	-	(16,756)
Depreciation expense	-	24,632	90,671	39,216	-	154,519
Net currency translation difference	-	(5,528)	(16,748)	(8,414)	-	(30,690)
Balance as at Friday, March 31, 2023	<u>\$ -</u>	<u>\$ 2,044,163</u>	<u>\$ 5,561,464</u>	<u>\$ 1,928,027</u>	<u>\$ -</u>	<u>\$ 9,533,654</u>
Net amount as at Friday, March 31, 2023	<u>\$ 1,826,417</u>	<u>\$ 1,289,190</u>	<u>\$ 1,201,648</u>	<u>\$ 576,866</u>	<u>\$ 185,163</u>	<u>\$ 5,079,284</u>

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

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	\$ 216,481	\$ 359,732
Increase (Decrease) in advance payments for land and equipment	14,899	(301,151)
Decrease (Increase) in payables on equipment	7,398	(4,707)
Capitalization of interest	(330)	(381)
Payments in cash for the acquisition of property, plant and equipment	<u>\$ 238,448</u>	<u>\$ 53,493</u>

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

<u>Buildings and structures</u>	
Factory and office building	20-50 years
Construction system and enclosure wall	15 to 28 years
Other	2 to 10 years
<u>Machinery and equipment</u>	
Embossing machine, grinding machine, and thermal oil boiler	20 to 30 years
Non-woven fabric machine and its auxiliary facilities	8 to 19 years

Other	1 to 9 years
Other facilities	
Pond and gardening	30 to 48 years
Pipelines	20 to 28 years
Other	1 to 15 years

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

XIV. Lease agreement

(I) Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
Book value of right-of-use assets			
Land	\$ 149,006	\$ 145,379	\$ 149,802
Buildings	5,667	6,477	2,076
Transportation equipment	6,713	7,847	3,891
	<u>\$ 161,386</u>	<u>\$ 159,703</u>	<u>\$ 155,769</u>

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Depreciation expense of right-of-use assets		
Land	\$ 1,184	\$ 1,663
Buildings	810	270
Transportation equipment	1,134	901
	<u>\$ 3,128</u>	<u>\$ 2,834</u>

Except for the depreciation recognized, the Consolidated Entity's right-of-use assets were not significantly increased, impaired, or subleased for the three-month periods ended March 31, 2024 and 2023.

(II) Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Book value of lease liabilities			
Current	\$ 6,461	\$ 7,099	\$ 4,190
Noncurrent	<u>\$ 5,939</u>	<u>\$ 7,238</u>	<u>\$ 2,117</u>

The discount rate of lease liabilities is 1.05%~2.00%.

(III) Important lease activities and clauses

Right-of-use assets include the land of the following subsidiaries, in which the right to use the land was obtained from the local government, details are as follows:

		Cost of land use rights	Years	Maturity date
SFV	USD	\$4,023,000	36~48 years	June, 2051
Dongguan Baoliang	RMB	19,373,000	50 years	January, 2060

(IV) Other lease information

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Short term lease expenses	<u>\$ 924</u>	<u>\$ 696</u>
Lease expenses of low value assets	<u>\$ 243</u>	<u>\$ 203</u>
Total cash outflow from leases	<u>\$ 3,167</u>	<u>\$ 2,630</u>

XV. Investment properties

	March 31, 2024	December 31, 2023	March 31, 2023
Cost	<u>\$ 140,473</u>	<u>\$ 140,473</u>	<u>\$ 140,473</u>
Less: Accumulated depreciation	<u>31,501</u>	<u>31,284</u>	<u>30,634</u>
	<u>\$ 108,972</u>	<u>\$ 109,189</u>	<u>\$ 109,839</u>

Except for the depreciation recognized, the Consolidated Entity's investment properties were not significantly increased, disposed of, or impaired for the three-month periods ended March 31, 2024 and 2023.

The Consolidated Entity's investment properties consist of land, buildings, and structures in Songshan District, Taipei City; such buildings and structures are depreciated on a straight-line basis over a useful life of 60 years.

The fair value of the Consolidated Entity's investment properties standing at approximately NT\$370 million and NT\$390 million as of December 31, 2023 and 2022 was estimated by the Consolidated Entity by referring to transactions in the nearby housing market. As assessed by the Consolidated Entity's management, there was no significant change in the fair value as of March 31, 2024 and 2023.

Please refer to Note 28 for investment property provided as collateral for loans.

XVI. Borrowings

(I) Short-term borrowing

	March 31, 2024	December 31, 2023	March 31, 2023
Secured loans (Note 28)			
Bank borrowings	\$ 730,000	\$ 780,000	\$ 840,000
Unsecured loans			

	March 31, 2024	December 31, 2023	March 31, 2023
Line of credit borrowings	875,000	710,000	650,000
	<u>\$ 1,605,000</u>	<u>\$ 1,490,000</u>	<u>\$ 1,490,000</u>
Annual interest rate (%)	1.47~1.96	1.47~1.96	1.34~1.89

(II) Short-term notes and bills payable

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

December 31, 2023

Guarantor/Acceptance agency	Face value	Discounte d amount	Book value	Interest Rate (%)
China Bills	<u>\$ 50,000</u>	<u>\$ 33</u>	<u>\$ 49,967</u>	1.40

March 31, 2023

Guarantor/Acceptance agency	Face value	Discounte d amount	Book value	Interest Rate (%)
China Bills	<u>\$ 30,000</u>	<u>\$ 7</u>	<u>\$ 29,993</u>	1.39

(III) Long-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Secured loans			
Bank borrowings – Reaches maturity before August 2028	\$1,067,500	\$1,185,000	\$1,372,000
Unsecured loans			
Bank borrowings – Reaches maturity before September 2028	1,212,500	1,250,000	1,300,000
	<u>2,280,000</u>	<u>2,435,000</u>	<u>2,672,000</u>

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	March 31, 2024	December 31, 2023	March 31, 2023
Less: Current portion	\$ 635,000	\$ 747,500	\$ 966,500
	<u>\$1,645,000</u>	<u>\$1,687,500</u>	<u>\$1,705,500</u>
Annual interest rate (%)	1.78~2.325	1.78~2.325	1.66~2.18

XVII. Accounts payable

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

XVIII. Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Wages and salaries payable	\$ 334,136	\$ 386,505	\$ 236,182
Employee bonuses and director remuneration payable	89,176	57,589	48,063
Commissions payable	40,279	52,685	34,249
Taxes payable	30,547	23,884	31,868
Utilities and fuel costs payable	26,539	25,584	26,342
Payables on equipment	23,381	30,779	34,139
Import/export charges payable	22,198	21,499	28,266
Other	264,090	231,691	234,164
	<u>\$ 830,346</u>	<u>\$ 830,216</u>	<u>\$ 673,273</u>

XIX. Post-employment benefits plan

The pension expenses arising from defined benefit plans recognized for the three-month periods ended March 31, 2024 and 2023, which were NT\$1,472 thousand and NT\$1,377 thousand, respectively, were calculated by applying the pension cost rate determined through actuarial appraisal on December 31, 2023 and 2022, respectively.

XX. Equity

(I) Capital stock – common

	March 31, 2024	December 31, 2023	March 31, 2023
Authorized shares (thousand shares)	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>
Authorized share capital	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>

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	March 31, 2024	December 31, 2023	March 31, 2023
Current outstanding shares (thousand shares)	<u>397,818</u>	<u>397,818</u>	<u>397,818</u>
Issued capital	<u>\$ 3,978,181</u>	<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

	March 31, 2024	December 31, 2023	March 31, 2023
Contributed capital in excess of par	\$ 135,000	\$ 135,000	\$ 135,000
Gains on the disposal of fixed assets	2,497	2,497	2,497
Donated assets received	369	369	369
Other – Dividends not claimed by shareholders before the deadline	<u>7,464</u>	<u>7,464</u>	<u>7,464</u>
	<u>\$ 145,330</u>	<u>\$ 145,330</u>	<u>\$ 145,330</u>

Pursuant to the Company Act, capital surplus from contributed capital in excess of par and donated assets may be used to offset losses or distribute cash or recapitalized. However, the recapitalized amount shall be restricted to a certain percentage on an annual basis. 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 all or part of dividends and bonuses 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 2023 and 2022 earnings distribution proposals are as below:

	Dividend distribution proposal		Dividends per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$ 76,013	\$ 47,812		
Reversal of special reserve	-	(143,781)		
Cash dividends	596,727	318,255	\$ 1.5	\$ 0.8

The aforementioned cash dividend proposals were approved by resolution at the Board of Directors meeting dated March 6, 2024 and March 9, 2023, respectively. The earnings distribution items of 2022 were approved by resolution at the general shareholders' meeting dated June 13, 2023; the earnings distribution items of 2023 are pending approval by resolution at the general shareholders' meeting scheduled for June 19, 2024.

(IV) Special reserve

Upon first-time adoption of the IFRS Accounting Standard, the Consolidated Entity provided special reserves for the NT\$505,112 thousand increase in unrealized revaluation gains and cumulative translation effects transferred to retained earnings as a result of transition to the IFRS Accounting Standards. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT\$322 thousand in 2013.

(V) Other equity interests

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

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Balance at beginning of period	(\$ 154,472)	(\$ 128,788)
Currency translation difference resulting from the translation of assets of foreign operations	277,894	(42,272)

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Closing balance	<u>\$ 123,422</u>	<u>(\$ 171,060)</u>

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

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Balance at beginning of period	\$ 73,860	\$ 29,348
Generated in the current year		
Equity instruments – unrealized gains	<u>12,551</u>	<u>12,938</u>
Closing balance	<u>\$ 86,411</u>	<u>\$ 42,286</u>

XXI. Revenues

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Revenue from contracts with customers		
Revenue from merchandise sales	<u>\$2,604,110</u>	<u>\$2,609,698</u>

(I) Contract balance

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Net notes and accounts receivable (Note 9)	<u>\$1,528,453</u>	<u>\$1,320,310</u>	<u>\$1,570,319</u>	<u>\$1,377,320</u>
Contract liabilities				
Merchandise sales	<u>\$ 14,641</u>	<u>\$ 13,776</u>	<u>\$ 6,137</u>	<u>\$ 5,574</u>

Changes to contract liabilities were mainly from the difference between the time contractual obligations were fulfilled and the time customer made payment. Except for that, there were no other material changes.

(II) Detailed revenues from contracts with customers: Please refer to Note 33 for the income by operating segment.

XXII. Pre-tax profit

(I) Interest income

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Cash in banks	<u>\$ 53,363</u>	<u>\$ 26,648</u>
Other	<u>436</u>	<u>453</u>
	<u>\$ 53,799</u>	<u>\$ 27,101</u>

(II) Other income

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Sale of monitored assets	<u>\$ 14,128</u>	<u>\$ -</u>
Rental income	2,479	2,472
Government grants revenue	424	-
Other	<u>2,845</u>	<u>1,683</u>
	<u>\$ 19,876</u>	<u>\$ 4,155</u>

(III) Other profits and losses

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Net foreign exchange gains (losses)	\$141,331	(\$ 30,318)
Net gains from financial instruments at fair value through profit or loss	5,201	1,043
Gains on disposal of property, plant and equipment	20	768
Other	<u>(161)</u>	<u>(442)</u>
	<u>\$146,391</u>	<u>(\$ 28,949)</u>

(IV) Financial costs

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Interest on bank borrowings	\$ 18,330	\$ 18,524
Interest on lease liabilities	63	23
Less: Costs of qualifying assets listed	<u>(330)</u>	<u>(381)</u>
	<u>\$ 18,063</u>	<u>\$ 18,166</u>

Information on capitalization of interest is as follows:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Amount of interest capitalized	\$ 330	\$ 381
Interest capitalization rate (%)	1.87~2.25	1.65~2.16
 (V) Depreciation and amortization		
	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Property, plant and equipment	\$138,768	\$154,519
Right-of-use assets	3,128	2,834
Investment properties	217	217
Other intangible assets	<u>3,253</u>	<u>2,329</u>
	<u>\$145,366</u>	<u>\$159,899</u>
Summary of depreciation expenses by function		
Operating costs	\$126,782	\$143,463
Operating expenses	<u>15,331</u>	<u>14,107</u>
	<u>\$142,113</u>	<u>\$157,570</u>
Summary of amortization expenses by function		
Operating costs	\$ 148	\$ 138
Operating expenses	<u>3,105</u>	<u>2,191</u>
	<u>\$ 3,253</u>	<u>\$ 2,329</u>
 (VI) Employee benefit expenses		
	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Short-term employee benefits	<u>\$425,627</u>	<u>\$397,418</u>
Post-employment benefit		
Defined contribution plan	15,581	14,924
Defined benefit plans (Note 19)	<u>1,472</u>	<u>1,377</u>
	<u>17,053</u>	<u>16,301</u>
	<u>\$442,680</u>	<u>\$413,719</u>

Summary by function		
Operating costs	\$242,503	\$245,042
Operating expenses	<u>200,177</u>	<u>168,677</u>
	<u>\$442,680</u>	<u>\$413,719</u>

(VII) Employee bonuses and directors' remuneration

With 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 in accordance with the Articles of Incorporation.

Employee bonuses for the three-month periods ended March 31, 2024 and 2023 were estimated at 3.8% of the aforementioned pre-tax profits. Director remuneration was the probable sum to be allocated based on past experience. The amount of which is enumerated as follows:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Employee bonuses	<u>\$ 20,020</u>	<u>\$ 8,148</u>
Directors' remuneration	<u>\$ 11,591</u>	<u>\$ 4,717</u>

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

Employee bonuses and directors' remuneration for 2023 and 2022 were determined by a resolution at the Board of directors' meetings dated March 6, 2024 and March 9, 2023, respectively, to be distributed in cash.

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

There were no deviations between the actual amount of employee bonuses and directors' remuneration distributed for 2023 and 2022 and the amounts recognized in the consolidated financial statements of 2023 and 2022.

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

(VIII) Foreign exchange gains (losses)

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Total foreign exchange gains	\$172,154	\$ 96,059
Total foreign exchange losses	(<u>30,823</u>)	(<u>126,377</u>)
Net gains (loss)	<u>\$141,331</u>	<u>(\$ 30,318)</u>

XXIII. Income tax from continuing operations

(I) Income tax recognized in profit or loss

Main income tax expenses are as follows:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Current income tax		
Generated in the current period	\$ 69,198	\$ 35,035
Adjustments in the previous year	<u>305</u>	<u>17</u>
	<u>69,503</u>	<u>35,052</u>
Deferred income tax		
Generated in the current period	<u>53,527</u>	<u>43,441</u>
Income tax expense recognized in profit or loss	<u>\$123,030</u>	<u>\$ 78,493</u>

The profit-seeking enterprise income tax rate applicable to the Company and its domestic subsidiaries is 20%.

Overseas subsidiaries pay taxes according to the tax rate prescribed by the local government, the tax rates are as follows:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
SFV	15%	15%
PTS	22%	22%
Dongguan Baoliang (Note)	15%	15%

Note: The subsidiary Dongguan Baoliang obtained the approval of the 15% preferential tax rate for high and new technology in December 2023 and January 2021 respectively, and it will be applicable for

three years from 2023 and 2020 respectively in accordance with local tax laws.

(II) 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 period – Net profit attributable to owners of the Company

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Net income	<u>\$413,965</u>	<u>\$157,884</u>

(II) Shares (thousand shares)

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	<u>1,663</u>	<u>1,196</u>
Number of shares used to calculate diluted EPS	<u>399,481</u>	<u>399,014</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 Consolidated Entity engages in capital management to ensure that companies in the group can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that they are able to continue as a going concern.

The Consolidated Entity'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 Consolidated Entity's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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>March 31, 2024</u>				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	<u>\$ 105,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,790</u>
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	\$ 127,314	\$ -	\$ -	\$ 127,314
Unlisted stock in Taiwan	-	-	4,924	4,924
	<u>\$ 127,314</u>	<u>\$ -</u>	<u>\$ 4,924</u>	<u>\$ 132,238</u>
<u>Sunday, 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	\$ 114,914	\$ -	\$ -	\$ 114,914
Unlisted stock in Taiwan	-	-	4,773	4,773
	<u>\$ 114,914</u>	<u>\$ -</u>	<u>\$ 4,773</u>	<u>\$ 119,687</u>
<u>Friday, March 31, 2023</u>				
Financial assets at fair value through profit or loss				
Fund beneficiary certification	<u>\$ 95,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,367</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income				
Listed stock in Taiwan	\$ 83,560	\$ -	\$ -	\$ 83,560
Unlisted stock in Taiwan	-	-	4,553	4,553
	<u>\$ 83,560</u>	<u>\$ -</u>	<u>\$ 4,553</u>	<u>\$ 88,113</u>

There were no transfers of assets between Level 1 and Level 2 during the three-month periods ended March 31, 2024 and 2023.

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

	<u>For the three-month period ended March 31, 2024</u>	<u>For the three-month period ended March 31, 2023</u>
Financial assets at fair value through other comprehensive income		
Balance at beginning of period	\$ 4,773	\$ 4,553
Recognized in other comprehensive income	151	-
Closing balance	<u>\$ 4,924</u>	<u>\$ 4,553</u>

3. Level 3 fair value valuation technique and inputs

When the Consolidated Entity 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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>Friday, March 31, 2023</u>
Financial assets			
Financial assets at amortized cost (Note 1)	\$8,405,649	\$7,879,341	\$7,250,016
Financial assets for which the fair value is required to be measured through profit or loss	105,790	100,589	95,367
Financial assets at fair value through other comprehensive income			
Equity instrument investments	132,238	119,687	88,113
Financial liabilities			
Measured at amortized cost	5,253,290	5,194,978	5,478,623

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>Friday, March 31, 2023</u>
(Note 2)			

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding tax refunds receivable), 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, other accounts payable, 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 Consolidated Entity's main financial instruments include cash and cash equivalents, notes and accounts receivable, other financial assets, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity 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 and several subsidiaries engage in sales and purchase of goods denominated in foreign currencies, which expose the Consolidated Entity to the risk of exchange rate changes. The Consolidated Entity manages its exposure to foreign exchange risk using FX swaps within the scope permitted by policy.

Please see Note 31 for the book value of the Consolidated Entity's monetary assets and liabilities not denominated in the

functional currency on the balance sheet date (including monetary items not denominated in the functional currency on the consolidated financial statements).

Sensitivity analysis

The sensitivity analysis mainly addresses the sensitivity to foreign currency-denominated monetary items on the reporting date. The Consolidated Entity is mainly affected by exchange rate fluctuations of USD and RMB.

The sensitivity ratio used in reports on foreign exchange risk for management of the Consolidated Entity 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 period is adjusted using 1% change in exchange rates. The positive number in the table below is the amount that pre-tax profit will increase (decrease) when the functional currency depreciates 1% against related currencies. The effect on pre-tax profit will be negative (positive) the same amount when the functional currency appreciates 1% against related currencies.

	<u>Effect on income</u> For the three-month period ended March 31, 2024	<u>Effect on income</u> For the three-month period ended March 31, 2023
USD	\$ 37,138	\$ 32,677
RMB	1,050	642

(2) Interest rate risk

The Consolidated Entity is exposed to interest rate risk when companies finance using both fixed and floating interest rates at the same time. The Consolidated Entity manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

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

	Sunday, March 31, 2024	December 31, 2023	Friday, March 31, 2023
Has interest rate risk for cash flow			
Financial assets	\$ 2,428,166	\$ 2,394,347	\$ 3,109,237
Financial liabilities	2,530,000	2,635,000	2,872,000

The Consolidated Entity 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 Consolidated Entity 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 by 1% while all other variables remain the same, the Consolidated Entity's pre-tax profit will decrease/increase by NT\$255 thousand and increase/decrease by NT\$593 thousand, respectively, in the three-month periods ended March 31, 2024 and 2023, which is mainly due to the floating interest rate bank deposits and loans of the Consolidated Entity.

(3) Other price risks

The Consolidated Entity 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 Consolidated Entity 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 for the three-month periods ended March 31, 2024 and 2023 will increase/decrease by NT\$1,058 thousand and NT\$954 thousand, respectively, due to the changes 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 for the three-month periods ended March 31, 2024 and 2023 will increase/decrease by NT\$1,322 thousand and NT\$881 thousand, respectively, due to the increase/decrease in the 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 Group arising from default by counterparties. As of the balance sheet date, the Consolidated Entity's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the consolidated balance sheet.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Group A	\$ 354,565	\$ 274,073	\$ 418,496
Group B	110,757	114,411	104,155
Group C	76,442	70,503	103,055

March 31, 2024	December 31, 2023	March 31, 2023
<u>\$ 541,764</u>	<u>\$ 458,987</u>	<u>\$ 625,706</u>

Accounts receivable due from the aforementioned companies on March 31, 2024, December 31, 2023, and March 31, 2023 accounted for 36%, 35%, and 40%, respectively, of the total accounts receivable.

3. Liquidity risk

The Consolidated Entity manages and maintains an adequate position of cash and cash equivalents to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Consolidated Entity supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Consolidated Entity's liquidity. Unused long-term and short-term credit limits of the Consolidated Entity were NT\$2,392,500 thousand, NT\$2,575,000 thousand, and NT\$2,305,000 thousand, respectively, as of March 31, 2024, December 31, 2023, and March 31, 2023.

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 Consolidated Entity. Hence, bank borrowings that the Consolidated Entity 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>Sunday, March 31, 2024</u> Non-derivative financial liabilities				

No interest-bearing debt	\$1,950,430	\$ 1,533	\$ 13,054	\$1,965,017
Lease liabilities	3,782	2,853	6,020	12,655
Floating-rate tools	540,482	386,609	1,680,644	2,607,735
Fixed-rate tools	1,358,177	-	-	1,358,177
	<u>\$3,852,871</u>	<u>\$ 390,995</u>	<u>\$1,699,718</u>	<u>\$5,943,584</u>

Sunday, December 31, 2023

Non-derivative financial liabilities

No interest-bearing debt	\$1,205,182	\$ 2,083	\$ 12,746	\$1,220,011
Lease liabilities	4,000	3,304	7,351	14,655
Floating-rate tools	604,532	387,206	1,730,311	2,722,049
Fixed-rate tools	1,342,494	-	-	1,342,494
	<u>\$3,156,208</u>	<u>\$ 392,593</u>	<u>\$1,750,408</u>	<u>\$5,299,209</u>

March 31, 2023

Non-derivative financial liabilities

No interest-bearing debt	\$1,591,489	\$ 639	\$ 12,757	\$1,604,885
Lease liabilities	2,537	1,726	2,128	6,391

	<u>Within 6 months</u>	<u>6 months to 1 year</u>	<u>1 year and above</u>	<u>Total</u>
Floating-rate tools	\$ 514,992	\$ 697,250	\$1,755,488	\$2,967,730
Fixed-rate tools	1,320,039	-	-	1,320,039
	<u>\$3,429,057</u>	<u>\$ 699,615</u>	<u>\$1,770,373</u>	<u>\$5,899,045</u>

XXVII. Related Party Transactions

Transactions, account balances, gains, and losses between companies of the Consolidated Entity were eliminated and therefore not disclosed in this note. Transactions between the Consolidated Entity and related parties are as follows:

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Consolidated Entity</u>
Pou Chen Corporation	Parent company of investor with significant influence
Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
Baoyuan Industrial (Group) Co., Ltd.	Subsidiary of investor with significant influence

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(II) Operating revenue

General ledger account	Type/Name of related party	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Sales revenue	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	\$ 459,956	\$ 511,864
	Parent company of investor with significant influence	12,225	12,931
		\$ 472,181	\$ 524,795

There are no significant differences in the prices of goods sold by the Consolidated Entity to the related parties above and terms of payment compared to other customers.

(III) Receivables from related parties

General ledger account	Type/Name of related party	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable – related parties	Investor with significant influence			
	Yue Yuen Industrial (Holdings) Ltd.	\$354,565	\$274,073	\$418,496
	Parent company of investor with significant influence	11,346	21,006	8,692
		\$365,911	\$295,079	\$427,188

(IV) Compensation for management

Total remuneration for directors and major management is detailed as follows:

	For the three-month period ended March 31, 2024	For the three-month period ended March 31, 2023
Short-term employee benefits	\$ 15,406	\$ 11,973
Post-employment benefit	172	178
	\$ 15,578	\$ 12,151

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

XXVIII. Pledged Assets

The Consolidated Entity provided the following assets as collateral for bank borrowings:

	March 31, 2024	December 31, 2023	March 31, 2023
Other financial assets – current	\$ 10,044	\$ 10,044	\$ -
Property, plant and equipment – net	1,514,243	1,516,019	1,521,347
Investment properties – net	108,972	109,189	109,839
	<u>\$1,633,259</u>	<u>\$1,635,252</u>	<u>\$1,631,186</u>

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Consolidated Entity had the following major commitments and contingent events on the balance sheet date:

- (I) The Consolidated Entity's balance of issued but unutilized L/C for the purchase of raw materials is as follows:

	Unit: Foreign currency (in thousands)		
	March 31, 2024	December 31, 2023	March 31, 2023
USD	\$ 25	\$ -	\$ -

- (II) Property, plant and equipment purchase contracts not listed by the Consolidated Entity are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of property, plant and equipment	<u>\$ 546,443</u>	<u>\$ 606,276</u>	<u>\$ 147,526</u>

XXX. Other Matters

Following the Climate Change Adaptation Act promulgated by the President on February 15, 2023, the Ministry of Environment announced the drafts of the Regulations for Charging of Carbon Fees, Regulations for Management of Voluntary Reduction Plans, and Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees on April 29, 2024. According to the draft of the Regulations for Charging of Carbon Fees, the electricity sector and manufacturing sector will, starting from 2024, be subject to carbon fee levy if their emission source is on the list of

emission sources requiring inventory, registry, and inspection announced by the Ministry of Environment and their site-wide or factory-wide direct GHG emissions from electricity consumption and indirect GHG emissions total 25,000 metric tons of carbon dioxide equivalent per year.

Judging from its emissions in 2023, the Consolidated Entity will meet the levy threshold early in 2024 and must pay carbon fees. However, since the aforementioned drafts are merely a notice so far and the carbon fee rates are not announced, the Consolidated Entity is unable to reasonably estimate the carbon fee impacts.

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

The following information is a summary of foreign currencies that are not the functional currency of companies in the Consolidated Entity, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign currency assets and liabilities with a significant impact are as follows:

Unit: Foreign currencies (in thousands):

Carrying amount in thousands/Exchange rate: NTD

	Foreign currencies	Exchange rate		Book value
<u>Sunday, March 31, 2024</u>				
Monetary financial assets				
USD	\$ 105,054	32	(USD: NTD)	\$ 3,361,734
USD	22,371	7.28597	(USD: RMB)	715,868
RMB	9,589	0.13725	(RMB: USD)	42,113
RMB	21,446	4.392	(RMB: NTD)	94,191
Monetary financial liabilities				
USD	8,240	32	(USD: NTD)	263,684
USD	3,128	7.28597	(USD: RMB)	100,103
RMB	7,135	0.13725	(RMB: USD)	31,335
<u>Sunday, December 31, 2023</u>				
Monetary financial assets				
USD	98,276	30.705	(USD: NTD)	3,017,573
USD	22,470	7.12248	(USD: RMB)	689,931
RMB	9,588	0.1404	(RMB: USD)	41,335
RMB	21,530	4.311	(RMB: NTD)	92,818
Monetary financial liabilities				
USD	6,847	30.705	(USD: NTD)	210,232
USD	2,979	7.12248	(USD: RMB)	91,461
RMB	7,135	0.1404	(RMB: USD)	30,757
	Foreign currencies	Exchange rate		Book value

<u>March 31, 2023</u>					
<u>Monetary financial assets</u>					
USD	\$	106,072	30.45	(USD: NTD)	\$ 3,229,903
USD		12,693	6.89694	(USD: RMB)	386,492
RMB		9,583	0.14499	(RMB: USD)	42,311
RMB		12,097	4.415	(RMB: NTD)	53,407
<u>Monetary financial liabilities</u>					
USD		8,050	30.45	(USD: NTD)	245,113
USD		3,400	6.89694	(USD: RMB)	103,536
RMB		7,135	0.14499	(RMB: USD)	31,499

The Consolidated mainly bears the foreign exchange risk above. The following information is a summary presented in the functional currency of individual companies that hold foreign currencies, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign exchange gain/loss (realized and unrealized) with a significant impact are as follows:

<u>Functional currency</u>	<u>Functional currency to presentation currency</u>		<u>Net exchange gain (loss)</u>
<u>For the three-month period ended March 31, 2024</u>			
USD	31.448	(USD: NTD)	(\$ 137)
RMB	4.350	(RMB: NTD)	13,634
NTD	1	(NTD: NTD)	127,834
			<u>\$ 141,331</u>
<u>For the three-month period ended March 31, 2023</u>			
USD	30.395	(USD: NTD)	(\$ 1,640)
RMB	4.425	(RMB: NTD)	(3,095)
NTD	1	(NTD: NTD)	(25,583)
			<u>(\$ 30,318)</u>

XXXII. 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. Other: The business relationship and major transactions between intra-group companies: See Table 8 for details.
11. 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 percentage of the account		As a percentage of the account	
	Amount	(%)	Amount	(%)
Dongguan Baoliang	\$ 33,713	3	\$ 24,948	2

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

	Sales		Accounts receivable	
	As a percentage of the account		As a percentage of the account	
	Amount	(%)	Amount	(%)

	Sales		Accounts receivable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	\$ 131,613	6	\$ 53,602	5

- (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\$1,598 thousand for the three-month period ended March 31, 2024; other receivables from Dongguan Baoliang was NT\$7,886 thousand as of March 31, 2024.

- (III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 9 for details.

XXXIII Segment Information

Segment information is provided to the main decision-maker for them to allocate resources and assess segment performance. When preparing the consolidated financial statements, the Consolidated Entity considers region and products or services provided as factors for identifying operating segments, and views the operating segments as a single operating segment. The Consolidated Entity's operating segments are as follows, in which (I)~(IV) are reportable segments:

- (I) San Fang Chemical Industry Co., Ltd. – Manufacturing and sales of artificial leather, synthetic resin, and other materials
- (II) San Fang Development, BBH, San Fang International, and subsidiary MPL, Dongguan Baoliang, and GTL.
- (III) GII and subsidiary SFV(GII).
- (IV) JOB and subsidiary PTS (PTS).

(II)~(IV) above mainly engage in the production of PU synthetic leather and artificial leather, and the production and processing of synthetic resin and other materials.

(V) Bestac Advanced Material Co., Ltd.

(VI) Forich Advanced Materials Co., Ltd.

(V)~(VI) above is mainly in the business of chemical product manufacturing and sales.

(VII) San Fang Development, San Fang Financial Holdings, and GCL – Mainly in the financial holdings and investment business.

Department revenue and business results

The Consolidated Entity's revenue and operating results, as well as assets by reportable segment are analyzed below:

	San Fang Chemical Industry Co., Ltd.	San Fang Development	GII	PTS	Other	Adjustment and retired	Total
<u>For the three-month period ended March 31, 2024</u>							
Revenue from customers other than the parent company and its subsidiaries	\$ 1,526,695	\$ 368,342	\$ -	\$ 621,882	\$ 87,191	\$ -	\$ 2,604,110
Revenue from the parent company and its subsidiaries	<u>508,693</u>	<u>33,962</u>	<u>275,290</u>	<u>2,288</u>	<u>27,218</u>	<u>(847,451)</u>	<u>-</u>
Total revenue	<u>\$ 2,035,388</u>	<u>\$ 402,304</u>	<u>\$ 275,290</u>	<u>\$ 624,170</u>	<u>\$ 114,409</u>	<u>(\$ 847,451)</u>	<u>\$ 2,604,110</u>
Segment profit	<u>\$ 138,185</u>	<u>\$ 54,107</u>	<u>\$ 23,414</u>	<u>\$ 108,799</u>	<u>\$ 2,456</u>	<u>\$ 8,031</u>	\$ 334,992
Interest income							53,799
Other income							19,876
Other profits and losses							146,391
Financial costs							(18,063)
Pre-tax profit							536,995
Income tax expense							123,030
Net profit after tax							<u>\$ 413,965</u>
Identifiable assets	<u>\$ 7,632,468</u>	<u>\$ 2,296,445</u>	<u>\$ 3,934,894</u>	<u>\$ 2,735,812</u>	<u>\$ 516,694</u>	<u>(\$ 896,527)</u>	\$ 16,219,786
Current financial assets at fair value through profit or loss							105,790
Non-current financial assets at fair value through other comprehensive income							<u>132,238</u>
Total assets							<u>\$ 16,457,814</u>
<u>For the three-month period ended March 31, 2023</u>							
Revenue from customers other than the parent company and its subsidiaries	\$ 1,450,691	\$ 346,768	\$ -	\$ 749,957	\$ 62,282	\$ -	\$ 2,609,698
Revenue from the parent company and its subsidiaries	<u>608,748</u>	<u>83,137</u>	<u>251,946</u>	<u>-</u>	<u>30,077</u>	<u>(973,908)</u>	<u>-</u>
Total revenue	<u>\$ 2,059,439</u>	<u>\$ 429,905</u>	<u>\$ 251,946</u>	<u>\$ 749,957</u>	<u>\$ 92,359</u>	<u>(\$ 973,908)</u>	<u>\$ 2,609,698</u>
Department income (loss)	<u>\$ 44,621</u>	<u>\$ 70,771</u>	<u>(\$ 641)</u>	<u>\$ 147,827</u>	<u>(\$ 18,284)</u>	<u>\$ 7,942</u>	\$ 252,236
Interest income							27,101
Other income							4,155
Other profits and losses							(28,949)
Financial costs							(18,166)
Pre-tax profit							236,377
Income tax expense							78,493
Net profit after tax							<u>\$ 157,884</u>
Identifiable assets	<u>\$ 7,981,913</u>	<u>\$ 1,982,925</u>	<u>\$ 3,606,401</u>	<u>\$ 2,260,099</u>	<u>\$ 463,247</u>	<u>(\$ 1,013,434)</u>	\$ 15,281,151
Current financial assets at fair value through profit or loss							95,367
Non-current financial assets at fair value through other comprehensive income							<u>88,113</u>
Total assets							<u>\$ 15,464,631</u>

Department income (loss) refers to the profits (losses) earned (generated) by each department, and does not include non-operating income and expenditure, as well as income tax expenses. This amount is mainly used by the primary business decision-maker for allocating resources to departments and evaluating their performance.

Furthermore, for the purpose of supervising segment performance and allocating resources to each segment, except current assets at fair value through profit or loss and non-current financial assets at fair value through other comprehensive income, all assets are allocated among the reporting segments.

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Lending to others

For the three-month period ended March 31, 2024

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	\$ -	N/A	\$ -	\$ 905,068	\$ 3,620,273	Note 1, Note 2, and Note 3
1	GII	PTS	Long-term accounts receivable	Yes	896,000	896,000	320,000	1.15~1.8	Short-term financing	-	Working capital	-	N/A	-	3,863,697	3,863,697	Note 1, Note 2, and Note 3

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: The total amount of lendings cannot surpass 40% of the lending company's net worth, with loans due to business transactions limited to 30% and short-term loans capped at 20% of the Company's net worth. Lending among overseas subsidiaries whose voting shares are wholly owned by the Company is limited to the lending company's net worth.

Note 3: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
 Providing endorsements/guarantees to others
 For the three-month period ended March 31, 2024

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	\$ 153,200	\$ 153,200	\$ 45,000	\$ -	1.69	\$ 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
Sunday, March 31, 2024

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 (%)	Fair value		
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	\$ 16,998	-	\$ 16,998		
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,952,737	76,547	0.38	76,547		
	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	4,924	4.76	4,924		
					<u> </u>		<u> </u>		
						<u>\$ 98,469</u>		<u>\$ 98,469</u>	
	Funds								
	PineBridge Global ESG Quantitative Bond Fund N9 Acc	-	Current financial assets at fair value through profit or loss	103,755.99	\$ 31,299		\$ 31,299		
	Nomura Global Financial Bond (N) Acc	-	Current financial assets at fair value through profit or loss	101,664.05	30,274		30,274		
	PineBridge Multi-Income Fund (N) Acc	-	Current financial assets at fair value through profit or loss	67,369.59	24,846		24,846		
Allianz Global Investors Income and Growth Fund (N) Monthly Distribution Class	-	Current financial assets at fair value through profit or loss	68,323.30	19,371		19,371			
					<u> </u>		<u> </u>		
					<u>\$105,790</u>		<u>\$105,790</u>		
San Fang Financial Holdings Co., Ltd.	Stock								
	Yentai Wanhua Microfibre Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	4,000,000	\$ -	8	\$ -		
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income		-	7.29	-		
					<u> </u>		<u> </u>		
					<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>\$ 33,769</u>	0.17	<u>\$ 33,769</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
For the three-month period ended March 31, 2024

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	(\$ 376,707)	(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	\$ 111,960	11	Note 1
	Dongguan Baoliang	Subsidiary	Sales	(131,613)	(6)	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	53,602	5	Note 1
	SFV	Subsidiary	Processing expenses	275,290	100	Open account 30 days	There are no general transaction terms for price comparison	General transaction terms	(108,711)	(11)	Note 1
	Yue Yuen (Group)	Investor with significant influence	Sales	(227,283)	(11)	Open account 30-90 days	General transaction terms	General transaction terms	136,039	13	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	379,572	75	Open account 30-75 days	There are no general transaction terms for price comparison	The general transaction term is open account 30~90 days	(121,657)	(58)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(173,425)	(28)	Open account 30-70 days	General transaction terms	The general transaction term is open account 30~75 days	171,661	39	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Purchase of goods	133,211	52	Open account 30-90 days	There are no general transaction terms for price comparison	General transaction terms	(61,488)	(21)	Note 1 and Note 2

Note 1: Already written off when preparing the consolidated financial statements.

Note 2: 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
Sunday, March 31, 2024

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.	Yue Yuen (Group)	Investor with significant influence	\$ 136,039	3.05	\$ -	-	\$ 43,449	\$ -
	PTS	Subsidiary	121,657 (Note 1 and Note 4)	5.10	-	-	88,715	-
	Bestac Advanced Material Co., Ltd.	Subsidiary	163,763 (Notes 2 and 4)	0.62	-	-	10,684	-
GII	PTS	Subsidiary	320,307 (Notes 3 and 4)	-	-	-	307	-
PTS	Yue Yuen (Group)	Investor with significant influence	171,661	1.71	-	-	45,457	-
SFV	San Fang Chemical Industry Co., Ltd.	Parent company	108,711 (Note 4)	4.15	-	-	108,711	-

Note 1: Including NT\$111,960 thousand in accounts receivables and NT\$9,697 thousand in other receivables.

Note 2: Including NT\$53 thousand in accounts receivables, NT\$63,261 thousand in other receivables, and NT\$100,449 thousand in other receivables from loans.

Note 3: Including NT\$307 thousand in other receivables, and NT\$320,000 thousand in long-term receivables from loans.

Note 4: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on the investee
For the three-month period ended March 31, 2024

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 current period	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	\$ 1,925,039	\$ 78,162	\$ 78,226	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	5,843,718	130,660	130,713	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	10,594	327	327	Note 12
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	119,041	2,361	2,361	Note 12
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	40,962	2,705	2,705	Note 12
San Fang Development	San Fang International	British Virgin Islands	Investment	806,400	773,766	25,200,010	100.00	1,035,190	30,662	30,662	Note 2 and Note 12
San Fang Development	BBH	Hong Kong	Investment	544,000	521,985	17,000,000	100.00	662,877	36,443	36,443	Note 3 and Note 12
San Fang International	MPL	British Virgin Islands	Investment	288,000	276,345	9,000,001	100.00	441,523	22,718	22,718	Note 4 and Note 12
San Fang International	GTL	British Virgin Islands	Investment	204,227	195,962	1	100.00	129,908	4,237	4,237	Note 5 and Note 12
GCL	GII	GCL	Investment	646,400	620,241	20,200,000	100.00	3,863,697	43,404	43,404	Note 6 and Note 12
GCL	JOB	GCL	Investment	1,167,920	1,120,656	36,497,500	100.00	2,027,687	86,882	86,882	Note 7 and Note 12
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	1,119,920	1,074,598	34,997,500	99.99	1,837,839	86,882	86,882	Note 8 and Note 12
GII	SFV	Vietnam	Material processing	1,152,000	1,105,380	-	100.00	1,617,624	19,722	19,722	Note 9 and Note 12
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	80	77	2,500	0.01	77	86,882	-	Note 10 and Note 12

- 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 both US\$36,000,000 at the beginning and end of the current period.
- 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.
- Note 12: Already written off when subsidiaries were preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on Investments in China
For the three-month period ended March 31, 2024

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	\$ 417,280	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	219,600	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	61,196	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	864,000	2	-	-	-	-	63,551	100.00	63,551	1,118,809	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	Limit on the Company's investment in China
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 based on the figures on the Company's CPA-reviewed financial statements.

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 Jing-Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained the Operational Headquarters certificate (Letter Jing-Shou-Gong-Zi No. 11020426410 dated July 28, 2021) from the Industrial Development Bureau, MOEA, and therefore has no limit on investment in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Business Relationship and Major Transactions between the Parent Company and Subsidiaries
For the three-month period ended March 31, 2024

Table 8

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

No.	Company name	Counterparty	Relationship	Transactions status			Percentage of consolidated total operating revenues or total assets (%)
				Item	Amount	Transaction terms	
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Sales revenue	\$ 131,613	There are no general transaction terms for price comparison	5
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Accounts receivable	53,602	Open account 30~90 days	-
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Other receivables	7,886	Open account 30~90 days	-
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Sales revenue	376,707	There are no general transaction terms for price comparison	14
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Accounts receivable	111,960	Open account 30~75 days	1
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Other receivables	9,697	Open account 30~75 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other income	6,231	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	63,261	Open account 30~120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	100,449	Lending, according to the contract	1
0	San Fang Chemical Industry Co., Ltd.	SFV	1	Other receivables	2,853	Open account 30~90 days	-
1	San Fang International	Dongguan Baoliang	3	Other receivables	38,614	Open account 30~90 days	-
2	GII	PTS	3	Long-term accounts receivable	320,000	Lending, according to the contract	2
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Revenue from processing	275,290	There are no general transaction terms for price comparison	11
3	SFV	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	108,711	Open account 30 days	1
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	27,218	There are no general transaction terms for price comparison	1

4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Other income	1,800	There are no general transaction terms for price comparison	-
4	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	8,475	Open account 60 days	-
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	2,289	There are no general transaction terms for price comparison	-
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	2,311	Open account 30~60 days	-
5	PTS	San Fang Chemical Industry Co., Ltd.	2	Other receivables	1,979	Open account 30~60 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	33,962	There are no general transaction terms for price comparison	1
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	21,634	Open account 30~75 days	-
6	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Other receivables	3,314	Open account 30~75 days	-
6	Dongguan Baoliang	MPL	3	Other receivables	7,635	Open account 30~90 days	-

San Fang Chemical Industry Co., Ltd.
Information on Major Shareholders
Sunday, March 31, 2024

Table 9

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 consolidated 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.