

SUNKO INK CO., LTD

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I. LETTER TO SHAREHOLDERS

1 The 2023 Business Report

The individual revenue of the Company for the year 2023 was NT\$2,185,670 thousand, while the Consolidated revenue for the year was NT\$2,185,671 thousand. The consolidated after-tax loss was NT\$277,967 thousand, of which NT\$277,967 thousand was attributable to the Company. The basic and diluted earnings per share for the consolidated after-tax loss were both NT\$1.5.

In the post-pandemic era of 2023, overall economic recovery did not meet expectations. The regional conflicts caused inflation and transportation issues, which contributed to high economic uncertainty persisted. Additionally, the post-pandemic stagnation of domestic demand in China led to oversupply of its vast manufacturing capacity, resulting extensive low-priced dumping in the international markets, severely impacting the selling prices of various commodities, particularly bulk general-purpose antioxidants and flame retardants, faced with the most challenging circumstances. Chinese competitors sold in the market at prices closely aligned with direct raw material costs, while other specialty chemicals faced varying degrees of price competition. Polymer products have experienced sustained softness in consumption due to overall sluggishness in athletic footwear demand, and major brands and contract manufacturers implemented measures to cut cost, such as layoffs and product reductions, in response to lower-than-anticipated sales, thereby impacting polymer product sales. In summary, the global economic recovery fell short of expectations due to sluggish market demand. Additionally, China's expansion of production capacity led to decline in selling price, which was the main reason for revenue decline and losses in 2023.

To avoid engaging in price wars with fearless competitors, the company has initiated the development of new products with higher selling prices and technological barriers, including the Triazine series of UV protecting agents, novel phosphorus-containing flame retardants for high-end electronic equipment, and puncture-resistant polymer coatings. Additionally, after years of development, foam-grade TPU is expected to penetrate the supply chain of supercritical foam shoe manufacturing. Alongside investments in corresponding materials for footwear fabrics, 3D printing, and sports protective gear, the company anticipates the successful promotion and profitability contribution of these new products in the coming year.

Regarding the implementation results of the consolidated subsidiaries' operation plan for 2023 of the Company, and the expression compared to the operating results of 2022 is as follows:

1.1 Implementation Results of Operation Plan

Unit: NT\$ (in thousands)

Item	2023	2022	Increase (Decrease)	
			Difference	Rate
Operating Revenue (net)	2,185,671	3,008,554	(822,883)	(27.35)
Operating Costs	2,247,941	2,752,806	(504,865)	(18.34)
Operating Profit	(62,270)	255,748	(318,018)	(124.35)
Operating Expense	197,764	223,186	(25,422)	(11.39)
Operating Gains (Losses)	(260,034)	32,562	(292,596)	(898.58)
Other profits and losses (net)	(36,116)	38,910	(75,026)	(192.82)
Pre-tax Earnings (losses)	(296,150)	71,472	(367,622)	(514.36)
After-tax Earnings (losses)	(277,967)	61,330	(339,297)	(553.23)

1.2 Forecast and Implementation

The Company did not publish the 2023 Operating Forecast. Therefore, no information regarding implementation is available.

1.3 Financial Income and Expenditure and Profitability Analysis

		For the years ended 31 December	
	Item	2023	2022
Profitability	Return on asset (%)	(6.62)	1.81
	Return on equity (%)	(12.34)	2.59
	Pre-tax income to paid-in capital (%)	(16.02)	3.78
	Profit margin (%)	(12.72)	2.15
	Earnings per share (NT\$)	(1.5)	0.33
	Diluted Earnings per share (NT\$)	(1.5)	0.33

1.4 Research and Development progress

1.4.1 R&D Expenses

Unit: NT\$ (in thousands)

	For the years ended 31 December		
	2023	2022	2021
R&D Expenses	47,468	49,847	51,299
Ratio to operating revenues	2.17%	1.66%	1.80%

1.4.2 Recent Research and Development Results

Classification	Item	R&D results
Fine Chemical Series	1. Development and promotion of Non-halogenated Flame Retardant derivatives	<ul style="list-style-type: none"> ● Completed DOPO Quality Improvement Project (Improvement of Co-polymer Color). ● Completed verification of manufacturing technology for phosphorus-containing flame retardant K3000. ● Collaborated with customers in the optoelectronic industry to develop 5G flame retardant.
	2. Curing Agent	<ul style="list-style-type: none"> ● Obtained CN invention patent for acrylic metal salt compounds containing graphene, their manufacturing methods, and ETPV resin compositions containing them.
	3. Research on Industrialization Technology of Triazine UV Absorber New product	<ul style="list-style-type: none"> ● Completed laboratory-stage development of a new process for Triazine UV absorbers.
Polymer Series	1. Development of Eco-friendly Thermoplastic Elastomer Products and Processes.	<ul style="list-style-type: none"> ● Completed the development of the new “Inert TPU Product SK701x”, utilizing a one-shot process for recyclable thermoplastic materials. Its characteristics include effective vibration dissipation and resistance to impact forces, suitable for applications in sports protection, equipment protection, and medical protection industries. ● Obtained for Taiwan patent for “Thermoplastic Polyurethane Foam and Impact-Resistant Composite Layer Comprising the Same”. ● Obtained for TW patent for “Applications of Thermoplastic Polyurethane and Impact-Resistant Composite Layer Comprising the Same”. ● Developed environmentally friendly TPU processing technologies, including 3D printing, supercritical nitrogen physical foaming, melt blowing, or 3D spinning adhesive layering, to produce protective

Classification	Item	R&D results
		<p>gear products such as SK701 3D printed knee pads and back protectors, meeting EN1621-1 protection standards, under the trademark SKEC®.</p> <ul style="list-style-type: none"> ● Completed the development of the “new E385xx TPU Product with Supercritical Nitrogen Foaming”, utilizing a one-shot process for recyclable thermoplastic materials, featuring high resilience, lightweight, and hydrolysis resistance, suitable for foam shoe materials. ● Completed the development of “Jelly-colored Fiber-grade TPU”, characterized by intrinsic coloration, eliminating the need for secondary dyeing processes. It can be applied in environmentally friendly and energy-saving and carbon-reduction shoe fabrics, as it is a recyclable thermoplastic material.

2 Overview of 2024 Operation Plan

2.1 Operation Strategy and Policy

The Company's main focus in 2024 is to continuously research and develop new products and applications. Through the research and development capabilities, the Company develops novel phosphorus-containing flame retardants for high-end information equipment substrates and produces Triazine products using a new, more environmentally friendly process that is currently unavailable for large-scale production in the market. In the fields of TPU and TPV, we are continuously collaborating with downstream partners to develop novel materials, including supercritical foaming TPU substrates, TPU woven surface materials, 3D printing materials, and puncture-resistant polymer coatings, aiming to replace several oversupplied products in the market to overcome the operational challenges we face. Additionally, in formulating strategic objectives, we have considered stakeholders' focus on ESG issues. In addition to pursuing our own growth and profitability, we have also incorporated the environmental and social impacts of our operating activities. We hope that by integrating our business philosophy of “reliability, honesty, steady growth, joyful inheritance, and sustainable operation” with the execution of the strategic objectives, we can promote environmental, social, and corporate prosperity to achieve sustainable development.

Operating Strategy and Policy for 2024:

1. Continuous innovation

2. Development and launch of new products meeting market demands

3. Environmental sustainability (waste reduction, save energy and decarbonize, water conservation)

4. Establishment of a friendly and safe workplace, enhancing employee engagement

5. Automation of production

6. Utilization of computer programs to improve operational efficiency

7. Strengthen corporate governance

2.2 Important Production and Marketing Strategies

2.2.1 Sales Policy

- (1) Strengthen the relationship with clients, increase both sales and the market share
- (2) Develop new specifications and new products in line with customer needs.
- (3) Develop our own patents and create unique-selling-points (USP) to expand the markets
- (4) Control market and adjust marketing strategies in time

2.2.2 Production Policy

- (1) Implement industrial safety to reduce accident risks.
- (2) Stabilize raw material supply chain and product supply
- (3) Enhance quality to improve customer satisfaction
- (4) Optimize process and increase utilization rate

2.3 Short-term and Long-term Business Development Plan

2.3.1 Short-term Plan

- (1) Strengthen the bonds with international manufacturers and increase the market share.
- (2) Develop and promote new products: TPE footwear materials, TPU/TPV yarn, TPU 3D printing materials, TPU anti-vibration materials, Triazine UV absorbers, novel phosphorus-containing flame retardants, puncture-resistant PU coatings.
- (3) Refine processes to improve quality and meet market demands.

2.3.2 Long-term Plan

2.3.2.1 Key trends and strategies on industrial transformation

With the rise in climate change awareness and environmental consciousness, government agencies are continuously tightening environmental regulations. Due to Taiwan's limited natural resources and densely populated environment, industries with high pollution and energy consumption will gradually lose competitiveness under the increasing costs of energy and environmental protection. Consequently, the chemical industry will pivot towards developing low-pollution, high-value products in the future.

2.3.2.2 Research and development and technical services

- (1) Self-develop and form patent applications
- (2) Provide technical services to meet customer demands
- (3) Assist customers in developing customized products and grab the preemptive opportunities in the market

2.3.2.3 Diversification Strategies

Well utilize the Company's know-hows in chemicals and manufacturing products. For instance: Seek out businesses that are chemical-related and supported by the government.

2.3.2.4 “Save Energy, Save Earth”

In response to the “Save Energy, Save Earth” campaign, our future manufacturing process design will take action to promote energy saving, decarbonization, recycle and reuse.

3 Overview of Technology and R&D

3.1 Technical Level

The Company values novelty, inventive steps as well as industrial applicability. We mainly target chemicals that are highly demanded in the market and create technical barriers.

The Company’s main research and development team are organic synthesis and polymer chemistry technology experts. They cooperate with a production team with more than 20 years of chemical manufacturing experience, together with trading professionals of great acuity on market development, to invest in research, development, production, OEM and marketing on polymer and fine chemical products.

3.2 Product development plan

More specifically speaking, the Company’s products include PU, POLYOL, TPU, TPV, special plastic material, plant and environmental protection drugs, active pharmaceutical ingredients, cosmetic materials, antioxidant, anti-UV agent, polyolefin synthesis, PCB reducing agent, curing agent and graphene oxide, etc.

To improve the process efficiency, go green, and to recycle, reuse and reduce the energy consumption are the key concepts of polymer material development. As for product development on fine chemicals, the research aims at new structures, new manufacturing processes, new formulations and new applications. To develop low-pollution and low-energy-consumption manufacturing process techniques is deemed as our corporate social responsibility.

Classification	Item
Fine Chemical Series	<ul style="list-style-type: none">- K-CLEAR: Development of applications for plastic nucleating agents- K-NOX: Development of applications for rubber and plastic antioxidants.- K-SORB Triazine: Research on industrialization technology of new Triazine UV absorbent products- K-CURE: Development and applications for rubber and plastic cross-linking curing agent- Development of new products of 5G phosphorus flame retardants- Continuously develop techniques on energy saving and decarbonization
Polymer Series	<p>Development, application, and recycling research of new PU materials:</p> <ul style="list-style-type: none">- Development and application of functional TPV and TPE elastomers- Research and development of new ETPU and ETPV foamable elastomers

4 Estimated product sales of 2024

Main Product	Classification	Budget Sales Quantity
		Tons
Antioxidants	Fine Chemicals	4,900
Thermoplastic Polyurethane Pellets (TPU) Thermoplastic Elastomer TPV (TPV)	Polymer	2,336
POLYOL and PU	Polymer	1,387
Agrochemicals	Plants and environmental protection drugs	364
Other fine chemicals (crosslinking agent, non- halogen flame retardants, electronic chemicals, nucleating agents)	Fine Chemicals	3,971
Others	Others	907
Total		13,865

5 The Impact from the external competition, regulatory environment, and business operation

Based on the International Monetary Fund's forecast, the global economic growth estimate is expected to decrease from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, far below the historical average of 3.8% (2000-2019). Furthermore, the ongoing and potentially prolonged Russia-Ukraine conflict, escalating tensions in Israel-Hamas war with potential spill-over effects, heightened risks in Red Sea shipping, China's overcapacity issues, the 2024 U.S. presidential election, and other events mentioned above all affect economic recovery, creating significant uncertainties in the future economic environment.

The implementation of the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) results in tariff reductions among member countries, which may negatively impact the competitiveness of Taiwanese enterprises relying on imports and exports in the international market due to tariff effects. Additionally, issues related to ESG, carbon taxation, net-zero carbon emissions, tightening environmental regulations and standards, and government policies aimed at increasing the proportion of green energy and natural gas in the national energy structure to achieve carbon reduction goals are expected to increase environmental costs for businesses.

Chairman:
HUANG, TING-DI

General Manager:
CHANG, CHUN-PIN

Accounting Supervisor:
WANG, SHENG-HUI

2.COMPANY PROFILE

1 Date of Incorporation

31 December 1974

2 Company History

Year	Important History
1974	SUNKO INK CO., LTD. was founded. The Company specialized in inks and paints.
1977	Acquired Taiping factory and Taiping branch factory to expand production items to primers and adhesives.
1985	Expanded production items to coatings and synthetic resins.
1987	Acquired Dali factory.
1988	Invested Ekiko Resin Co., Ltd. to produce TPU, which was the first professional manufacturer producing TPU in Taiwan.
1990	Expanded production items to antioxidant 168.
1993	Introduced automated equipment to produce wet PU synthetic leather
1995	Renamed the Company's Chinese name to "Sunko Co., Ltd". (hereinafter "the Company")
1996	Publicly listed on the Taiwan Stock Exchange.
2003	Established Sunko Company to indirectly invest in Sunko Fushan Co., Ltd..
2005	Introduced automated continuous production systems to produce TPU.
2006	Merged with Ekiko Resin Co., Ltd. and invested in Sunko Biotech Company, Ltd.
2009	Expanded antioxidant 168 production line.
2014	Expanded production items to antioxidant 3114 and special polymer materials.
2016	Acquired shares of Kuo Ching Chemical Co., Ltd by the issuance of new shares on 30 March

2. CORPORATE GOVERNANCE REPORT

1 Organization

1.1 Organizational Chart



1.2 Responsibilities and functions of major departments

Department	Functions
General Manager's Office	<ul style="list-style-type: none"> - Assist the general manager to amend and implement the Company's internal control system and various administrative measures. - Responsible for administrative and miscellaneous affairs and document management.
Audit Office	<ul style="list-style-type: none"> - Implement, audit, and inspect the internal control system of the Company; exercise and promote the Company's self-inspection; and report the implementation of internal audit to the Securities and Futures Bureau.
R&D Department	<ul style="list-style-type: none"> - Develop new products and conduct research on process improvement.
Sales Department	<ul style="list-style-type: none"> - Deal with the Company's product sales and OEM cooperation matters. - Conduct market research and intelligence gathering. - Review the contracts and orders. - Manage quotations. - Formulate and execute the market strategies.
Production Department	<p>Pingjhen Factory, Dajia Factory, Dali Factory, Nangang Factory, Chuansing Factory.</p> <ul style="list-style-type: none"> - Schedule the production and raw materials demanding arrangement and assist R&D dept. in commissioning and other assignments. - Carry out new product commissioning, process improvement, and SOP revision reporting matters. - Conduct quality control and laboratory analysis. - Responsible for warehouse management, purchase acceptance, shipment registration and other general administrative matters. - Responsible for industrial safety and environmental protection matters. - Responsible for project design, construction acceptance, equipment maintenance.
Procurement Department	<ul style="list-style-type: none"> - Responsible for the inquiry, price comparison and negotiation of the Company's various raw materials, procurement and contracting matters.
Management Department	<p>Accounting Division, Finance Division, Administrative Division, and IT Division</p> <ul style="list-style-type: none"> - Responsible for the registration, summary and tabulation of various accounting books. - Manage the funding budget, bank transactions, cash, notes receivables and note payables. - Responsible for attendance, recruitment, education, training and salary management. - Responsible for administrative miscellaneous affairs and document management. - Plan and manage various computer-related software and hardware, information security maintenance and data backup.

2 Directors, Supervisors and Management Team

2.1 Directors

2.1.1 Information on directors and supervisors

14 April 2024

Title	Nationality or Registration location	Name	Gender/Aged	Date Elected	Term (Years)	Date First Elected	Shareholding percentage when Elected (Note 1)		Current Shareholding percentage		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within second degrees of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	KT Investment Co., Ltd.	-	15 June 2022	3 years	4 May 2016	10,801,010	5.8420%	10,801,010	5.8420%	-	-	-	-	-	-	-	-	-	
Representative of Chairman	Republic of China	Representative of KT Investment Co., Ltd.: HUANG, TING-DI	M	15 June 2022	3 years	4 May 2016	3,332	0.0018%	3,332	0.0018%	3,146,718	1.702%	-	-	Master, The Hong Kong Polytechnic University	Supervisor, KT Investment Co., Ltd. Director, Chiaoli Investment Co., Ltd. Director, Macy Investment Co., Ltd. Chairman and legal representative, Director, Power Rich International Ltd. Corporation., Chairman, Seed Foundatino	Director	LIN, YU-PING	Husband and Wife	
Director	Republic of China	Representative of KT Investment Co., Ltd.: HUANG, SHUEN-HSIEN	M	15 June 2022	3 years	15 June 2022	931,701	0.5039%	911,701	0.4931%	6,664	0.004%	-	-	-	Minister of Production, Sunko Ink Co., Ltd	-	-	-	
Director	Republic of China	Chiaoli Investment Co., Ltd.	-	15 June 2022	3 years	24 June 2013	6,503,902	3.5178%	6,503,902	3.5178%	-	-	-	-	-					
Representative of Chairman	Republic of China	Representative of Chiaoli Investment Co., Ltd.: LIN, YU-PING	F	15 June 2022	3 years	15 June 2022	3,146,718	1.7020%	3,146,718	1.7020%	3,332	0.002%	-	-	Hungkuang University of Science and Technology	Director, Chiaoli Investment Co., Ltd. Director, Macy Investment Co., Ltd.	Chairman Director	HUANG, TING-DI	Husband and Wife	
Representative of Chairman	Republic of China	Representative of Chiaoli Investment Co., Ltd.: HUANG, ZHAO-WEI	M	15 June 2022	3 years	15 June 2022	2,666	0.0014%	2,666	0.0014%	-	-	-	-	Nanya Institute of Technology	Minister of Production, Sunko Ink Co., Ltd				
Independent Director	Republic of China	LI, SHIH-JEN	M	15 June 2022	3 years	4 May 2016	-	-	-	-	41,809	0.0226%	-	-	PhD., University of Southern California, USA	Chairman, TAHO Pharmaceuticals Ltd. Chairman, Transwell Biotech Co., Ltd. Director, Easywell Biomedicals, Inc. Independent Director, Member of Remuneration Committee and Audit Committee, Genovate Biotechnology Co., Ltd. Independent Director, Member of Remuneration Committee and Audit Committee, Taimed Biologics Inc. Director, Industrial Technology Investment Corporation Director, Amphastar Pharmaceuticals, Inc. Director, Capso Vision, Inc. Independent Director, Member of Compensation Committee and Audit Committee, OBI PHARMA, INC.	-	-	-	

Title	Nationality or Registration location	Name	Gender/Aged	Date Elected	Term (Years)	Date First Elected	Shareholding percentage when Elected (Note 1)		Current Shareholding percentage		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within second degrees of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	TSOU, YEN-CHUNG	M	15 June 2022	3 years	4 May 2016	-	-	-	-	-	-	-	-	National Cheng Kung University	Representative of Sun Young CPAs Firm Independent director, member of Remuneration Committee and Audit Committee, Universal Microelectronics Co., Ltd. Independent director, member of Remuneration Committee and Audit Committee, Liton Technology Corp.	-	-	-	
Independent Director	Republic of China	LIN, YEN-TING	F,	15 June 2022	3 years	4 May 2016	-	-	-	-	-	-	-	-	EMBA of Tunghai University	Supervisor, Tiding Golden International Intelligent Management Consulting Co., Ltd. Representative, Bloom Royal Consulting Corporation International Enterprise Co., Ltd. Representative, 3F Fortune CO., LTD. Supervisor, JUE-FENG Co., Ltd. Supervisor, BO YAN MEI FENG CO.,LTD Supervisor, FU ZHUAN BA LONG NA Co., Ltd. Supervisor, FENG FU Co., Ltd.	-	-	-	

Note:

1. On 4 May 2016, an Audit Committee was established while the supervisor system was abolished. The percentage of shareholdings was calculated considering the total outstanding shares of 184,884,092 shares.
2. Where the chairman and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed.
3. HUANG, TING-DI resigned as a director of Power Rich International Ltd. on 21 November 2024.

2.1.2 Major corporate shareholders

14 April 2024

Name of corporate shareholders	Main shareholders of corporate shareholders
KT Investment Co., Ltd.	TUNG, CHING-MEI 82.22%, HUANG, TING-KAI 8.89%, LIN, YU-PIN 8.89%
Fulilu Investment Co., Ltd.	WANG, PAO-LING 52%, HUANG, TING-KAI 34.58%, TUNG, CHING-MEI 1.06%, HUANG, YU-JUN 4.24%, HUANG, YU-HSUAN 4.06%, HUANG, YU-MING 4.06%
Chiaoli Investment Co., Ltd.	LIN, YU-PIN 86.89%, HUANG, YU-HSI 9.06%, HUANG, TING-DI 1.85%, HUANG, LI-YI 1.64%, TUNG, CHING-MEI 0.56%

2.1.3 Major shareholders of main corporate shareholders: None.

2.1.4 Professional qualifications and independence of the Directors and Supervisors and disclosure of information on the independence of independent directors

14 April 2024

Name	Conditions	Professional Qualifications and Experience	Independent Status	Number of independent directors of other public companies
Chairman Representative of KT Investment Co., Ltd.: HUANG, TING-DI	●	He is currently the chairman and general manager of the Company. He has more than five years of work experience in business, finance and has focused on chemical industry-related fields for more than 20 years. He has operational judgement, management and decision-making skills.	Not applicable.	0
Chairman Representative of KT Investment Co., Ltd.: HUANG, SHUEN-HSIEN	●	He is currently the production department manager of the Company. He possesses the necessary work experience for the Company's business, with over 20 years of experience in the chemical industry and related fields. He also possesses crisis management and decision-making capabilities.	Not applicable.	0
Representative of Chiaoli Investment Co., Ltd.: LIN, YU-PING	●	She is currently the director of Chiao Li Investment Co., Ltd. and Mei Xi Investment Co., Ltd. possesses more than 5 years of work experience in business, finance, and company operations. They also possess capabilities in operational judgment, business management, and decision-making.	Not applicable.	0
Representative of Chiaoli Investment Co., Ltd.: HUANG, ZHAO-WEI	●	He is currently the Minister of Production of the Company. He has the necessary work experience for the Company's business, with over 5 years of experience in the chemical industry and environmental regulations related fields. He also possesses crisis management and decision-making capabilities.	Not applicable.	0
LI, SHIH-JEN	●	He is currently head of TAHO Pharmaceuticals Ltd. and Transwell Biotech Co., Ltd. He has more than five years of work experience in business, finance and company operation and has ability to make business judgement, crisis management, operation management and decision-making.	Comply with the provisions of Article 3, Paragraph 1, Subparagraph 1-9 of [Regulation Governing Appointment of Independent Directors and Compliance Matters for Public Companies] , including but not limited	3
TSOU, YEN-CHUNG	●	He is currently head of Sun Young CPAs Firm and has more than five years of work experience in business, finance and company operation and has ability to make business judgement, crisis management, accounting, finance analysis and decision-making.		2

Name	Conditions	Professional Qualifications and Experience	Independent Status	Number of independent directors of other public companies
LIN, YEN-TING	<ul style="list-style-type: none"> ● He is currently head of Bloom Royal Consulting Corporation and the deputy director of Taichung City Industrial Association Labor Law Committee. He has more than five years of work experience in business, finance and company operation and has ability to make business judgement, crisis management operation management and decision-making. 	to the person, spouse, relatives within the second degree who not yet serve as directors, supervisors, employed or its affiliated companies.: Person or employee, not holding the number of shares of the company; not serving as director, supervisor or employee of a company that has a specific relationship with the company; not providing business, legal, financial, accounting for the company or related companies in last two years for received amount of remuneration.	0	

2.1.5 Diversity and independence of the board of directors

1. The professionalism and independence of the board of directors

- Appropriate director diversity policies have been formulated and implemented in the Corporate Governance Best Practice Principle formulated and disclosed by the Company.
- According to Article 20 of the Corporate Governance Best Practice Principle, to achieve the ideal goals of corporate governance, the board members shall have the overall ability listed below, and the knowledge, skills and qualities necessary for the duties:
 - (1) Business Judgement
 - (2) Accounting & Financial Analysis
 - (3) Operation and management
 - (4) Crisis Management
 - (5) Industry Knowledge
 - (6) International Market outlook
 - (7) Leadership
 - (8) Decision-making

- The 18th Board of Directors of our company consists of a total of 7 members., of which three are independent directors, and there should be more than half of the seats among the directors without spouse or relationship within the second degree amongst themselves. Currently, only 1 director has kinship within the second degree (representative of Chiaoli Investment Co., Ltd., which originally had kinship within the second degree: LIN, YU-PING). Furthermore, based on the above, all members of the Company's board of directors do not fall under the circumstances listed in Article 30 of the Company Act, and comply with the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. The independent directors also meet the requirements outlined in Article 3, Paragraph 1, Subsections 1-9 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, and do not concurrently hold more than three positions as independent directors in other public companies.

2. Diversity of the board of directors

- For the board of directors to achieve the aforementioned goals and enhance its effectiveness, the Company has formulated a policy on diversity of board members. According to Article 20 of the Corporate Governance Best Practice Principle, the board members shall consider diversity, and the number of directors who are also managers of the Company shall not exceed one-third of the total number of directors. Additionally, the Company formulates an appropriate diversification policy based on its own operation, operation type and development needs, including but not limited to the following two standards:
 - (1) Basic conditions and value: gender, age, nationality and culture
 - (2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and work experience

- The Company currently has a total of 7 seats on the board of directors, of which 3 are independent directors. At this stage, the target ratio of female directors is 10%. The current board of directors includes 2 female directors, with a ratio of 29%.

➤ The implementation of the policy on diversity of board members is as follows:

Name of Directors	Diversity Core Item										
	Gender	Nationality	Tenure of Independent Director	Operational evaluation	Accounting and financial analysis capabilities	Management capabilities	Crisis management capabilities	Industrial knowledge capability	Global market perspective	Leadership capabilities	Decision Making capabilities
HUANG, TING-DI	Male	R.O.C.	-	✓	✓	✓	✓	✓	✓	✓	✓
HUANG, SHUEN-HSIEN	Male	R.O.C.		✓			✓	✓		✓	✓
LIN, YU-PING	Female	R.O.C.	-	✓	✓	✓				✓	✓
HUANG, ZHAO-WEI	Male	R.O.C.	-	✓			✓	✓			✓
TSOU, YEN-CHUNG	Male	R.O.C.	3-8 Years	✓	✓	✓	✓			✓	✓
LI, SHIH-JEN	Male	R.O.C.	3-8 Years	✓	✓		✓	✓	✓		✓
LIN, YEN-TING	Female	R.O.C.	3-8 Years	✓		✓	✓			✓	✓

2.2 Information on the Company General Manager, Deputy General Manager, Managers of departments or division

16 April 2023

Title	Nationality	Name	Gender	Date Assumed Current Position	Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience	Positions Held Concurrently at Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
General Manager	Republic of China	CHANG, CHUN-PIN	M	2022.9.1	377,564	0.204%	-	-	-	-	Bachelor; General Manager, Sunko Ink Co., Ltd.	Director, Seeder Welfare and Charity Foundation	-	-	-	-
Managing Department Manager	Republic of China	HUNG, TING-YI	M	2019.1.1	652	-	-	-	-	-	Bachelor; Accounting Manager, Kuo Ching Chemical Co., Ltd.	Director, BNKC Biochemical Technology Co., Ltd. Director, Seeder Welfare and Charity Foundation Director, The First Leasing Corporation	-	-	-	Note 2
Finance Office Supervisor	Republic of China	ZHANG, CHU-XING	F	2022.9.1	-	-	-	-	-	-	Vocational college; Deputy section supervisor Finance Section, Sunko Ink Co., Ltd.	-	-	-	-	-
Accounting Office Manager	Republic of China	WANG, SHENG-HUI	F	2016.11.9	-	-	-	-	-	-	Master; Assistant Vice President, Ernst & Young	-	-	-	-	-
Audit Office Supervisor	Republic of China	HSIEH, CHUN-FU	M	2014.8.11	-	-	-	-	-	-	Bachelor; Ardentec Corporation	-	-	-	-	-
R&D Department Supervisor	Republic of China	TSOU, CHIOU-PENG	F	2016.5.12	332,079	0.180%	-	-	-	-	Doctor; Manager, R&D Department, Kuo Ching Chemical Co., Ltd.	Blessingthoughts Co. Ltd.	-	-	-	-
Minister of Production	Republic of China	LIN, CHAO-YUAN	M	2016.5.12	-	-	-	-	-	-	Junior College; Minister of Production, Kuo Ching Chemical Co., Ltd.	Blessingthoughts Co. Ltd.	-	-	-	Note 1
Minister of Production	Republic of China	SHEN, CHI-YUNG	M	2016.5.12	-	-	-	-	-	-	Master; Minister of Production, Kuo Ching Chemical Co., Ltd.	Blessingthoughts Co. Ltd.	-	-	-	-
Minister of Production	Republic of China	HUANG, SHUEN-HSIEN	M	2018.1.1	911,701	0.493%	6,664	0.004%	-	-	Junior College; Deputy Factory Director, Pingzhen Factory, Kuo Ching Chemical Co., Ltd.	-	-	-	-	-
Minister of Production	Republic of China	HUANG, ZHAO-WEI	M	2023.9.1	2,666	-	-	-	-	-	Bachelor; Minister of Production, Sunko Ink Co., Ltd.	-	-	-	-	-

Note 1: LIN, CHAO-YUAN stepped down from his position as Minister of Production on 16 October 2023. HUANG, ZHAO-WEI has taken over the position and serves as Minister of Production.

Note 2: HUNG, TING-YI resigned from the position of BNKC Biochemical Technology Co., Ltd. on 24 November 2023.

3. Remuneration to Directors, General Manager and Deputy General Manager in 2023

3.1 Remuneration to Directors and Independent Directors

Unit: NT\$ (in thousands)

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D+E+ F+G) to net income (%)		Remuneration to concurrent employees								Ratio of total compensation (A+B+C+D+E+ F+G) to net income (%)		Compensation paid to directors from reinvested companies other than subsidiary
		Compensation (A)		Severance pay (B)		Bonus to directors (C)		Allowance (D)				Salary, bonus, allowance (E)		Severance pay (F)		Profit sharing-employee bonus (G)						
		The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	Cash	Stock	Cash	Stock	The company	Companies in the financial report	
Chairman	Representative of KT Investment Co, Ltd.:HUANG, TING-DI	-	-	-	-	-	-	35	35	(0.01)	(0.01)	2,938	2,938	-	-	-	-	-	-	(1.07)	(1.07)	-
Minister	Representative of KT Investment Co, Ltd.: HUANG, SHUEN-HSIEN	-	-	-	-	-	-	35	35	(0.01)	(0.01)	1,993	1,993	96	96	-	-	-	-	(0.76)	(0.76)	-
Director	Representative of Chiaoli Investment Co., Ltd.: LIN, YU-PING	-	-	-	-	-	-	35	35	(0.01)	(0.01)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	-
Specialist	Representative of Chiaoli Investment Co., Ltd.: HUANG, ZHAO-WEI	-	-	-	-	-	-	35	35	(0.01)	(0.01)	1,056	1,056	54	54	-	-	-	-	(0.41)	(0.41)	-
Independent Director	LI, SHIH-JEN	480	480	-	-	-	-	35	35	(0.19)	(0.19)	-	-	-	-	-	-	-	-	(0.19)	(0.19)	-
Independent Director	TSOU, YEN-CHUNG	480	480	-	-	-	-	35	35	(0.19)	(0.19)	-	-	-	-	-	-	-	-	(0.19)	(0.19)	-
Independent Director	LIN, YEN-TING	480	480	-	-	-	-	35	35	(0.19)	(0.19)	-	-	-	-	-	-	-	-	(0.19)	(0.19)	-

1. Please describe the policies, system, standards and structure of independent directors' remuneration payment, and explain the relationship between the remuneration amount and factors such as responsibilities, risks, and time spent: None.

2. Aside from what is disclosed in the above table, the remuneration earned by Directors providing services (e.g. consultant as a non-employee) to the Company: None.

Note: (C)(G) were draft numbers.

3.2 Remuneration to supervisors: not applicable

3.3 Remuneration to general managers and deputy managers

Unit: NT\$ (in thousands)

Title	Name	Salary (A)		Severance pay (B)		Bonus and allowance (C)		Profit sharing-employee bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to GM and Deputy GM from reinvested companies other than subsidiary
		The company	Companies in the financial report	The company	Companies in the financial report	The company	Companies in the financial report	The company		Companies in the financial report		The company	Companies in the financial report	
								Cash	Stock	Cash	Stock			
General Manager (Note)	ZHANG, JUN - BIN	1,579	1,579	97	97	427	427		-	-	-	(0.76)	(0.76)	-

Note: The general manager, HUANG, TING-DI, resigned from his position on 1 September 2022. As a result, ZHANG, JUN-BIN has taken over as the new general president of the Company.

4. Individual disclosure of the compensation of the top five highest paid executives:

Unit: NT\$ (in thousands)

Title	Name	Salary (A)		Severance pay (B)		Bonus and allowance (C)		Profit sharing-employee bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to GM and Deputy GM from reinvested companies other than subsidiary
		The Company	Companies in the financial report	The Company	Companies in the financial report	The Company	Companies in the financial report	The Company		Companies in the financial report		The Company	Companies in the financial report	
								Cash	Stock	Cash	Stock			
General Manager	HUANG, TING-DI	2,511	2,511	-	-	428	428	-	-	-	-	(1.06)	(1.06)	
R&D Department Supervisor	TSOU, CHOU-PENG	1,850	1,850	-	-	326	326	-	-	-	-	(0.78)	(0.78)	
General Manager	CHANG, CHUN-PIN	1,579	1,579	97	97	427	427	-	-	-	-	(0.76)	(0.76)	
Minister	HUANG SHUEN-HSIEN	1,696	1,696	96	96	297	297	-	-	-	-	(0.75)	(0.75)	
Minister	SHEN, CHI-YUNG	1,631	1,631	101	101	298	298	-	-	-	-	(0.73)	(0.73)	

5. Names of managerial officers who received employees' bonuses in the preceding year and the distribution: Undistributed

Unit: NT\$ (in thousands)

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Executive officers	Chairman	HUANG, TING-DI	-	-	-	-
	General Manager	CHANG, CHUN-PIN				
	Manager of Management Department	HUNG, TING-YI				
	Finance Office Supervisor	ZHANG, CHU-XING				
	Accounting Office Manager	WANG, SHENG-HUI				
	Audit Office Supervisor	HSIEH, CHUN-FU				
	R&D Department Supervisor	TSOU, CHIOU-PENG				
	Minister of Production	LIN, CHAO-YUAN				
	Minister of Production	SHEN, CHI-YUNG				
	Minister of Production	HUANG, SHUEN-HSIEN				
Minister of Production	HUANG, ZHAO-WEI					

6. The Analysis of the Ratio of the Remuneration to Net Income Paid to Directors, Supervisors, General Manager and Vice presidents by the Company and All Companies in the Consolidated Financial Statements in the Last Two Fiscal Years, the Policy and Standard of Paying Remuneration, the Procedure of Combining and Determining Remuneration, and the Relationship Between Business Performance

Title	Ratio of total Remuneration to net income			
	2023		2022	
	The Company	Companies in the financial report	The Company	Companies in the financial report
Director	(3.58)	(3.58)	18.54	18.54
Supervisor				
General Manager				

Director's remuneration of the Company:

1. Compensation: According to Article 25-1 of the Company's Articles of Incorporation, when directors of the Company execute their duties, the Company may provide compensation regardless of the Company's operating profit or loss. The compensation shall be authorized by the board of directors in accordance with the usual standards in the chemical industry and determined based on the director's level of involvement in the Company's operations and the value of contribution. Directors who also serve as managers will no longer receive director's compensation. All independent directors serve as members of the audit committee and the compensation committee, participating in discussions and decisions related to relevant matters, therefore, they are granted fixed salaries based on industry standards.

2. Director's remuneration: Additionally, in accordance with Article 30 of the Company's Articles of Incorporation, if the Company is profitable in the year, it shall set aside no more than 1% of the pre-tax net profit for director's remuneration. The principles for the payment of director's remuneration are based on the proportion of days served and the responsibilities undertaken by each director, and are jointly determined by the board of directors.

3. Operating expenses: Mainly consists of fixed payments for board of directors' transportation expenses.

Managers' remuneration of the Company:

1. Compensation: The compensation of managers and employees is determined based on the relevant qualifications and conditions in the salary management regulations. Compensation for managers is approved by the compensation committee and then submitted to the board of directors for approval.
2. Employees' remuneration: According to Article 30 of the Company's Articles of Incorporation, if the Company is profitable in the year, it shall set aside 3% of the pre-tax net profit as employees' remuneration. Employees' remuneration is distributed based on the "Employee Performance Evaluation Procedure" and the "Employee Compensation Distribution Guidelines" for the current year.
3. Performance bonuses, year-end bonuses: The performance bonuses and year-end bonuses of the Company are clearly defined in the salary and compensation management regulations and are conducted in accordance with the performance evaluation operating guidelines and the year-end bonus management regulations. Bonuses are divided into fixed and variable components. Fixed bonuses primarily set aside a fixed amount or period as basic rewards for employee efforts and dedication, while variable bonuses are determined based on the Company's current period profit and loss and future financial planning. When profits are earned, additional bonuses set aside within a range not exceeding 8%.
4. General manager's performance bonus: At the end of each year, the board of directors evaluates the performance of the general manager, including operational performance, business development, corporate governance evaluation, risk management, tasks assigned by the board of directors, etc., and distributes corresponding bonuses based on the evaluation results.

Procedure for determining remuneration: The composition of remuneration for directors, managers, and employees of the Company is clearly defined in the salary and compensation management regulations and is determined in accordance with the provisions of the salary management regulations. The remuneration of directors and managers is approved by the compensation committee and then submitted to the board of directors for approval.

Correlation between operational performance and future risks:

The Company's remuneration policy is paid primarily based on the overall operating conditions and profitability of the Company. In addition to providing basic guarantees, additional variable bonuses may be set aside according to the profit situation to enhance the efficiency of the management team. The performance evaluation of the Company's general manager includes risk management operations to ensure that potential risks within their scope of responsibility are appropriately managed. The results of risk management are linked to individual performance and the corresponding compensation received.

4 Implementation of Corporate Governance

4.1 Operations of the board of directors

The Company convened a total of 7 (A) board of directors meetings in 2023. The attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Representative of KT Investment Co., Ltd.: HUANG, TING-DI	7	0	100%	Reelected on 15 June 2022
Director	Representative of KT Investment Co., Ltd.: HUANG, SHUEN-HSIEN	7	0	100%	Reelected on 15 June 2022
Director	Representative of Chiaoli Investment Co., Ltd.: LIN, YU-PING	7	0	100%	Reelected on 15 June 2022
Director	Representative of Chiaoli Investment Co., Ltd.: HUANG, ZHAO-WEI	7	0	100%	Reelected on 15 June 2022
Independent Director	LI, SHIH-JEN	7	0	100%	Reelected on 15 June 2022
Independent Director	TSOU, YEN-CHUNG	7	0	100%	Reelected on 15 June 2022
Independent Director	LIN, YEN-TING	7	0	100%	Reelected on 15 June 2022

Other items required to be stated:

I. In the event of the following occurrences, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response thereto should be specified:

(I) Items listed in Article 14-3 of the Securities and Exchange Act:

(II)

Date / Session	Proposal
The 18 th Board of Directors The 6 th Meeting (17 January 2023)	Reported items 1. Minutes and implementation status of the previous meeting.
	Discussion items 1. Discuss remuneration for managers in 2022. 2. The salary of managers will be increased from 1 January 2023. 3. Review of the 2023 remuneration for managers. 4. Review of the Company's remuneration for general manager.
The 18 th Board of Directors The 7 th Meeting (14 March 2023)	Reported items 1. Minutes and implementation status of the previous meeting. 2. Internal audit business report. 3. Significant financial business report.

	<p>4. Endorsement guarantees and loaning of funds to others report.</p> <p>5. Derivative commodity trading report.</p> <p>6. Report on the matter of non-mortgage of Chuansing Factory to others.</p> <p>7. Report on the results of the 2022 board of directors' performance assessment.</p> <p>8. Report on the operation of the risk management measures in 2023.</p> <p>9. Report on the situation of land registration under borrowed names.</p> <p>Discussion items</p> <p>1. Change of the Company's CPA, only proposed for discussion.</p> <p>2. Independence assessment of CPA and engagement of 2023 financial and tax audits, only proposed for discussion.</p> <p>3. Drafting the general principles for the pre-approval policy for non-assurance services in the Company, only proposed for discussion.</p> <p>4. Review of the Company's 2022 parent company only and consolidated financial reports, only proposed for discussion.</p> <p>5. Review of the Company's 2022 Business Report, only proposed for discussion.</p> <p>6. Review of the Company's 2022 surplus earning distribution, only proposed for discussion.</p> <p>7. Review of the Company's 2022 employee and director remuneration distribution by the Company's Remuneration Committee, only proposed for discussion.</p> <p>8. 2022 Statement of Declaration on Internal Control system, only proposed for discussion.</p> <p>9. The amendment of the Company's Article of Incorporation, only proposed for discussion.</p> <p>10. The amendment of the Corporate Governance Best Practice Principle, only proposed for discussion.</p> <p>11. The amendment of Company's Rules of Procedure for shareholders' meetings, only proposed for discussion.</p> <p>12. Setting the date, venue and reasons for convening of the 2023 general shareholders' meeting, only proposed for discussion.</p> <p>13. Matters related to the venue and session of the 2023 general shareholders' meeting, only proposed for discussion.</p> <p>14. Renewal of directors' and managers' liability insurance, only proposed for discussion.</p> <p>15. Renewal of consultant contracts, only proposed for discussion.</p> <p>16. Application to banks for the loan credit line, only proposed for discussion.</p>
<p>The 18th Board of Directors The 8th Meeting (10 May 2023)</p>	<p>Reported items</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. Internal audit business report.</p> <p>3. Significant financial business report.</p> <p>4. Endorsement guarantees and loaning of funds to others report.</p> <p>5. Derivative commodity trading report.</p> <p>6. Distribution of retained earnings for Kuo Ching Development.</p> <p>7. Report on the matters submitted by shareholders at the 2023 annual shareholders' meeting.</p> <p>8. Progress of sustainability promotion and sustainability report for 2022 of the</p>

	<p>Company.</p> <p>9. Implementation of integrity in business operations for 2022.</p> <p>10. Report on the schedule, plan, and execution status of greenhouse gas inventory.</p>
	<p>Discussion items</p> <p>1. The Company’s consolidated financial statements of Q1 for 2023, only proposed for discussion.</p> <p>2. Application to banks for the loan credit line, only proposed for discussion.</p> <p>3. Establishment of the position of “corporate governance supervisor” of the Company, only proposed for discussion.</p>
<p>The 18th Board of Directors The 9th Meeting (5 July 2023)</p>	<p>Discussion items</p> <p>1. Matters related to establishing the base date for the distribution of cash dividends to shareholders for 2022, only proposed for discussion.</p>
<p>The 18th Board of Directors The 10th Meeting (8 August 2023)</p>	<p>Reported items</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. Internal audit business report.</p> <p>3. Significant financial business report.</p> <p>4. Endorsement guarantees and loaning of funds to others report.</p> <p>5. Derivative commodity trading report.</p> <p>6. Update on the implementation status of risk management measures for the first half of 2023.</p> <p>7. Report on the schedule, plan, and execution status of greenhouse gas inventory.</p> <p>Discussion items</p> <p>1. The Company’s consolidated financial statements of Q2 for 2023, only proposed for discussion.</p> <p>2. The Company's director remuneration distribution for 2022.</p> <p>3. The Company's manager and employee remuneration distribution for 2022.</p> <p>4. Change for the Company’s production department head and remuneration.</p> <p>5. Application to banks for the loan credit line, only proposed for discussion.</p> <p>6. Proposal to establish the “Sustainable Development Committee” and formulate the “Organizational Regulations for the Sustainable Development Committee” of the Company, only proposed for discussion.</p>
<p>The 18th Board of Directors The 11th Meeting (10 November 2023)</p>	<p>Reported items</p> <p>1. Minutes and implementation status of the previous meeting.</p> <p>2. Internal audit business report.</p> <p>3. Significant financial business report.</p> <p>4. Endorsement guarantees and loaning of funds to others report.</p> <p>5. Derivative commodity trading report.</p> <p>6. Report on the schedule, plan, and execution status of greenhouse gas inventory.</p> <p>7. Consultant employment report.</p> <p>8. Cash capital increase of BNKC BIOCHEMICAL TECHNOLOGY.</p> <p>9. Capital reduction to offset losses by Power Rich.</p> <p>10. Penalty of Pingjhen Factory.</p> <p>Discussion items</p> <p>1. The Company’s consolidated financial statements of Q3 for 2023, only proposed for discussion.</p>

	<ol style="list-style-type: none"> 2. Salary adjustment to all employees of the Company in 2024, only proposed for discussion. 3. Application to banks for the loan credit line, only proposed for discussion. 4. Amendment of the Company's Organizational Regulations, only proposed for discussion.
<p>The 18th Board of Directors The 12th Meeting (12 December 2023)</p>	<p>Reported items</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. Report on equity transaction of BNKC BIOCHEMICAL TECHNOLOGY. 3. Execution Status of information security risk management.
	<p>Discussion items</p> <ol style="list-style-type: none"> 1. 2024 operating plan, only proposed for discussion. 2. 2024 budget, only proposed for discussion. 3. 2024 internal audit plan, only proposed for discussion. 4. Asset leasing, only proposed for discussion.
<p>The 18th Board of Directors The 13th Meeting (30 January 2024)</p>	<p>Reported items</p> <ol style="list-style-type: none"> 1. Minutes and implementation status of the previous meeting. 2. Report on the results of the 2023 board of directors' performance assessment. 3. Update on the implementation status of risk management measures for the second half of 2023. 4. Removal of sites under underground wastewater treatment plant at Pingjhen Factory.
	<p>Discussion items</p> <ol style="list-style-type: none"> 1. Discuss remuneration for managers in 2023. 2. The salary of managers will be increased from 1 January 2024. 3. Review of the 2024 remuneration for managers. 4. Review of the board of directors' performance bonus for the general manager for 2023.

<p>The 18th Board of Directors The 14th Meeting (5 March 2024)</p>	<p>Reported items</p> <ol style="list-style-type: none">1. Minutes and implementation status of the previous meeting.2. Internal audit business report.3. Significant financial business report.4. Endorsement guarantees and loaning of funds to others report.5. Derivative commodity trading report.6. Report on the matter of non-mortgage of Chuansing Factory to others.7. Report on the schedule, plan, and execution status of greenhouse gas inventory.8. Report on the situation of land registration under borrowed names.9. Report on renewal of consultant contracts of the Company.
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Discussion items

1. Independence assessment of CPA and engagement of 2024 financial and tax audits, only proposed for discussion.
2. Drafting the general principles for the pre-approval policy for non-assurance services in the Company, only proposed for discussion.
3. Review of the Company's 2023 parent company only and consolidated financial reports, only proposed for discussion.
4. Review of the Company's 2023 Business Report, only proposed for discussion.
5. The Company's 2023 loss make-up, only proposed for discussion.
6. 2023 Statement of Declaration on Internal Control system, only proposed for discussion.
7. Amendment of the "Audit Committee Charter" and "Board Meeting Procedures" of the Company, only proposed for discussion.
8. The amendment of the Company's authority matrix, only proposed for discussion.
9. Setting the date, venue and reasons for convening of the 2024 general shareholders' meeting, only proposed for discussion.
10. Matters related to the venue and session of the 2024 general shareholders' meeting, only proposed for discussion.
11. Renewal of directors' and managers' liability insurance, only proposed for discussion.
12. Application to banks for the loan credit line, only proposed for discussion.

(II) In addition to the above matters, resolutions of the board meetings for which independent directors expressed objection or held reservation and are recorded or presented in writing: None.

II. With respect to directors excusing themselves in the case of conflict of interest, the directors' names, contents of motion, reasons for conflict of interest and votes should be specified:

(1) On the 18th Board of Directors' 6th Meeting: During the discussion on adjusting manager's salary, as the process involved the salary of the individual managers, the chairman and manager recused themselves from participating in the discussion and voting process to avoid conflict of interest. The rest of the directors agreed and passed the proposal without any dissent.

On the 18th Board of Directors' 7th Meeting: During the discussion on renewing contracts with the consultants, Director HUANG, TING-DI and LIN, YU-PIN recused themselves from participating in the discussion and voting process to avoid conflict of interests. The rest of the directors agreed and passed the proposal without any dissent.

On the 18th Board of Directors' 10th Meeting: During the discussion on change for the production department head and remuneration, as the process involved Director HUANG, ZHAO-WEI, he recused himself from participating in the discussion and voting process to avoid conflict of interest. The rest of the directors agreed and passed the proposal without any dissent.

III. Board of Directors' Evaluation of Implementation

(1) On 8 November 2019, the Company's board of directors approved the “Board of Directors Performance Evaluation Procedure”, which stipulates that the board of directors should conduct performance evaluation of the board of directors and its members at least once a year. On 9 November 2021, it was passed that an external professional independent institution or external expert scholar team should conduct board of directors performance evaluation at least once every three years.

(2) The Company completed the board of directors performance evaluation at the end of 2023 and reported the evaluation results at the board meeting held on 30 January 2024. The overall average score for the board of directors’ self-assessment was 4.63 (out of 5), the overall average score for individual board members performance self-assessment was 4.62 (out of 5), and the overall average score for functional committee self-assessment was 4.82 (out of 5). These evaluation results demonstrate that the functions and operational efficiency of the Company's board of directors and functional committees are satisfactory.

Cycle	Period	Scope	Evaluation method and item	Result
The internal performance evaluation of board of directors shall be conducted once a year, and an external professional institution shall conduct evaluation at least once every three years.	1 January 2023-31 December 2023	The Board members	<ul style="list-style-type: none"> ● Internal self-assessment of board of directors ● Self-assessment of board members 	The measurement items for performance evaluation of board of directors include the following five aspects: <ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal controls.
The internal performance evaluation of board of directors shall be conducted once a year, and an external professional institution shall conduct evaluation at least once every three years.	1 January 2023-31 December 2023	Individual Board members	<ul style="list-style-type: none"> ● Internal self-assessment of board of directors ● Self-assessment of board members 	The measurement items for performance evaluation of individual director members include the following six aspects: <ol style="list-style-type: none"> 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. Their degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism

				and continuing professional education. 6. Internal controls.
The internal performance evaluation of board of directors shall be conducted once a year, and an external professional institution shall conduct evaluation at least once every three years.	1 January 2023-31 December 2023	Every other functional committee	<ul style="list-style-type: none"> ● Internal self-assessment of board of directors ● Self-assessment of board members 	The measurement items for performance evaluation of functional committee include the following five aspects: <ol style="list-style-type: none"> 1. Their degree of participation in the company's operations. 2. Their recognition of the duties of the functional committee. 3. Improvement in the quality of decision making by the functional committee. 4. The composition of the functional committee, and election and appointment of committee members. 5. Internal controls.

4.2 The operation of the audit committee or the participation of the supervisor in the operation of the board of directors

4.2.1 Operations of the Audit Committee

The Company's Audit Committee consists of 3 independent directors. The purpose of the Audit Committee is to assist the Board with the execution of its duties to supervise the Company on accounting, internal audit, financial reporting progress and the quality and integrity of internal control.

Matters reviewed mainly listed below:

- (1) Financial statements, auditing and accounting policies and procedures.
- (2) Internal control system and related policies and procedures.
- (3) Significant asset or derivative transaction.
- (4) Significant fund lending and endorsements or guarantees.
- (5) Place or issue securities.
- (6) Derivatives financial instruments and cash investment.
- (7) Regulatory compliance.
- (8) Whether the manager and the director have related party transactions and possible conflicts of interest.
- (9) Complaint report.
- (10) Fraud prevention plan and fraud investigation report.
- (11) Information Security.
- (12) Corporate risk management.

- (13) Appraisal of qualifications, independence and performance of certified accountants.
- (14) Appointment, dismissal or remuneration of certified accountants.
- (15) Appointment and removal of financial, accounting or internal audit supervisors.
- (16) Performance of Audit Committee's duties.

4.2.2 Meetings of the Audit Committee

The Company convened a total of 5 (A) meetings of the Audit Committee over the past fiscal year.

The attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	LI, SHIH-JEN	5	0	100%	Reelected on 15 June 2022
Independent Director	TSOU, YEN-CHUNG	5	0	100%	Reelected on 15 June 2022-
Independent Director	LIN, YEN-TING	5	0	100%	Reelected on 15 June 2022-

Other items required to be stated:

I. In the event of the following circumstances in the operation of the Audit Committee, the date, sessions, contents of motion, opinions of independent directors who object, the resolution and the Company's response thereto should be specified: opinions of independent directors who object, reserve or propose significant recommendations, Audit Committee resolutions, and the Company's response to the opinions of the Audit Committee shall be disclosed:

II. Items listed in Article 14-5 of the Securities and Exchange Act

Date Session	Proposal
The 3 rd Audit Committee Meeting The 6 th Meeting (14 March 2023)	<ol style="list-style-type: none"> 1. Change of the Company's CPA, only proposed for discussion. 2. Independence assessment of CPA and engagement of 2023 financial and tax audits, only proposed for discussion. 3. Drafting the general principles for the pre-approval policy for non-assurance services in the Company, only proposed for discussion. 4. Review of the Company's 2022 parent company only and consolidated financial reports, only proposed for discussion. 5. Review of the Company's 2022 Business Report, only proposed for discussion. 6. Review of the Company's 2022 surplus earning distribution, only proposed for discussion. 7. Internal audit business report of internal audit supervisors, only proposed for discussion. 8. 2022 Statement of Declaration on Internal Control system, only proposed for discussion. 9. The amendment of the Corporate Governance Best Practice Principle, only proposed for discussion. 10. The amendment of Company's Rules of Procedure for shareholders' meetings, only proposed for discussion. 11. Renewal of directors' and managers' liability insurance, only proposed for discussion. 12. Report on the operation of the risk management measures in 2023. <p>Audit Committee's opinion: Approved without any dissent.</p>

	The Company's response to the Audit Committee's opinion: Not applicable.
The 3 rd Audit Committee Meeting (10 May 2023)	<ol style="list-style-type: none"> 1. The Company's consolidated financial reports of Q1 for 2023, only proposed for discussion. 2. Internal audit business report, only proposed for discussion. 3. Establishment of the position of "corporate governance supervisor" of the Company, only proposed for discussion. <p>Audit Committee's opinion: Approved without any dissent.</p> <p>The Company's response to the Audit Committee's opinion: Not applicable.</p>
The 3 rd Audit Committee Meeting (8 August 2023)	<ol style="list-style-type: none"> 1. The Company's consolidated financial reports of Q2 for 2023, only proposed for discussion. 2. Internal audit business report, only proposed for discussion. 3. Change for the Company's production department head 4. Proposal to establish the "Sustainable Development Committee" and formulate the "Organizational Regulations for the Sustainable Development Committee" of the Company, only proposed for discussion. <p>Audit Committee's opinion: Approved without any dissent.</p> <p>The Company's response to the Audit Committee's opinion: Not applicable.</p>
The 3 rd Audit Committee Meeting (10 November 2023)	<ol style="list-style-type: none"> 1. Internal audit business report, only proposed for discussion. 2. The Company's consolidated financial reports of Q3 for 2023, only proposed for discussion. 3. Amendment of the Company's Organizational Regulations, only proposed for discussion. <p>Audit Committee's opinion: Approved without any dissent.</p> <p>The Company's response to the Audit Committee's opinion: Not applicable.</p>
The 3 rd Audit Committee Meeting (12 December 2023)	<ol style="list-style-type: none"> 1. 2024 budget, only proposed for discussion. 2. 2024 internal audit plan, only proposed for discussion. 3. Asset leasing, only proposed for discussion. <p>Audit Committee's opinion: Approved without any dissent.</p> <p>The Company's response to the Audit Committee's opinion: Not applicable.</p>
The 3 rd Audit Committee Meeting (5 March 2024)	<ol style="list-style-type: none"> 1. Independence assessment of CPA and engagement of 2024 financial and tax audits, only proposed for discussion. 2. Drafting the general principles for the pre-approval policy for non-assurance services in the Company, only proposed for discussion. 3. Review of the Company's 2023 parent company only and consolidated financial reports, only proposed for discussion. 4. Review of the Company's 2023 Business Report, only proposed for discussion. 5. The Company's 2023 loss make-up, only proposed for discussion. 6. Internal audit business report of internal audit supervisors, only proposed for discussion. 7. 2023 Statement of Declaration on Internal Control system, only proposed for

	<p>discussion.</p> <p>8. Amendment of the “Audit Committee Charter” and “Board Meeting Procedures” of the Company, only proposed for discussion.</p> <p>9. The amendment of the Company’s authority matrix, only proposed for discussion.</p> <p>10. Renewal of directors’ and managers’ liability insurance, only proposed for discussion.</p> <p>Audit Committee’s opinion: Approved without any dissent.</p> <p>The Company’s response to the Audit Committee’s opinion: Not applicable.</p>
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b. Other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors: None.

2. In situations where independent directors recuse themselves due to conflict of interest, the independent director’s name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded: None.

3. Communication between independent directors and internal audit managers and external auditors (regarding issues such as Company financial and operational status, procedures, and results): The accountant explained the Company’s financial report review to the members of the audit committee (served by all independent directors) on the meeting of audit committee, the audit supervisor submits the Company’s internal audit report, and the audit office regularly submits audit reports to the members every month. Furthermore, the audit committee members can contact the internal audit supervisor and accountants at any time to inquire about the Company’s financial business execution status, and the responsible department shall be asked to provide explanations, in order to make communication channels smooth.

4.2.3 Supervisor’s participation in the board of directors: not applicable.

4.3 Differences between Company policy and Corporate Governance Best-Practice Principles for TSE/ GTSM Listed Companies and reasons for differences

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/ GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Does the Company formulate and discloses the Corporate Governance Best Practice based on “Corporate Governance Best Practice Principles for Listed Companies”?	✓		The Company has already formulated the corporate governance code and disclose it in accordance with Corporate Governance Best Practice Principles for Listed Companies.	No deviation.
2. Corporate equity structure and shareholders’ equity				
(1) Does the company formulate the internal operation procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?	✓		1. The Company has a spokesperson to accept shareholders’ suggestions and to make clarifications and to have an in-depth understanding of shareholders’ suggestions or concerns to evaluate and respond. The website also has stakeholder contact information to deal with related matters.	No deviation.
(2) Does the company master the principal shareholders actually controlling the company and the final controller list of principal shareholders?	✓		2. The Company shall keep abreast of any changes to the shareholders’ ownership of more than 5% of the shares and directors’ shareholding percentage. Information of ownership of directors and shareholders holding more than 10% of the shares are publicly disclosed on the information reporting website designated by the FSC every month in accordance with regulations.	No deviation.
(3) Does the company establish and executes the risk control and firewall mechanism with the affiliated enterprise?	✓		3. The Company has set up “Subsidiary Management Measures”, “Regulations and Procedures for Endorsements”, Operational Procedures for Loaning Funds to Others” and “Procedures on Acquisition or Disposal of Assets” to implement the risk control.	No deviation.
(4) Does the company formulate the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the	✓		4. The Company has established operating procedures to prevent insider trading.	No deviation.

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
information undisclosed in market?				
3. Composition and responsibilities of the board of directors				
(1) Does the board of directors draft the diversification policy, specific management objective and implements it in terms of the member composition?	✓		1. The composition of the Company's board of directors pays attention to diversity elements and generally possesses the necessary knowledge, skills, and qualities required for the execution of their duties.	No deviation.
(2) Does the company voluntarily set other functional committees apart from the Remuneration committee and Audit Committee?	✓		2. The Company has established Remuneration Committee and Audit Committee in accordance with the law and the establishment of Sustainable Development Committee was approved by the board of directors on 8 August 2023.	No deviation.
(3) Does the company formulate the performance evaluation method and evaluation way of the board of directors, and regularly carries out performance evaluation each year?	✓		3. The board of directors of the Company approved the Board of Directors Performance Evaluation Procedure on 8 November 2019, which stipulates that the board of directors shall conduct performance evaluation of the board of directors and its members at least once a year. On 9 November 2021, it was passed that an external professional independent institution or external expert scholar team should conduct board of directors performance evaluation at least once every three years. The board of directors performance evaluation for 2023 was completed by the end of 2024, and the results were reported at the board meeting on 30 January 2024.	No deviation.
(4) Does the company regularly evaluate the independence of CPAs?	✓		4. The Company confirms that the certified public accountants and the Company have no other financial interests and business relationships except for certification and taxation expenses, and members of the	No deviation.

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
			<p>accountant family do not violate the independence requirements, the certified public accountant's appointment will be reviewed (Note 1). The Company periodically evaluates the independence and competency of certified public accountants (annually) and obtains the certified public accountant's Statement of Independence. 2023 The appointment and compensation of certification and taxation was passed on 14 March 2023 in the board meeting.</p>	
4. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	✓		<p>On 10 May 2023, the Company's board of directors resolved to appoint Manager HUNG, TING- YI as the corporate governance supervisor. The appointee possesses over three years of experience in financial and equity-related positions in public companies. The business performance for 2023 is as follows:</p> <ol style="list-style-type: none"> 1. Handling matters related to the board meetings and shareholders' meetings in accordance with the law. 2. Prepare meeting minutes of board of directors and shareholders' meetings. 3. Assist directors and supervisors in appointment and continuing education. 4. Provide necessary information to directors and supervisors for the execution of their duties. 5. Assist directors and supervisors in compliance with laws. 6. Other matters stipulated in the company's Articles of Incorporation or contracts, etc. 	In accordance with relevant regulations, the appointment of a corporate governance officer shall be completed before 30 June 2023.
5. Does the Company establish ?communication channels with stakeholders (including, but not limited	✓		The Company has established an area for stakeholders in the Company's website in accordance with the regulations in	No deviation.

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
to, shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?			order to build the communication channel. For relevant information, please visit the company's official website: https://www.sunko.com.tw/sunko_web/sunkonew/Stakeholder.php?m=5&mlist=8	
6. Does the Company commission a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	✓		The Company has designated the SinoPac Securities Corp. Stock Registration Division to handle shareholder meeting affairs.	No deviation.
7. Information Disclosure (1) Does the Company establish a public website to disclose operational, financial, and corporate governance information?	✓		1. The Company has established corporate website and designated personnel to be responsible for disclosing operational, financial, and corporate governance information.	No deviation.
(2) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	✓		2. The Company has spokespersons and acting spokespersons, and designated persons responsible for the collection and disclosure of company information and provide it to the spokesperson and relevant business departments to answer the inquiries of interested parties and competent authorities.	No deviation.
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly sales results, before the prescribed time limit?		✓	3. The Company filed the first, second and third quarter financial reports before the required deadline.	The Company will continue to improve the timeliness of operations in order to file the annual financial report and the operating results each month as early as possible.
8. Does the Company disclose other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to current status of employee rights, employee care, investor relations,	✓		1. Employee Rights: The Company and its employees maintain a smooth communication channel, and respect and protect their legitimate rights and interests; when the legitimate rights and interests are infringed, the Company will handle them appropriately based on the	No deviation.

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?			<p>principle of justice.</p> <p>2. Employee Care: The Company has established employee communication channels to encourage employees to communicate directly with management, and appropriately reflect employees' opinions on the Company's business and financial status or major decisions involving employees' interests.</p> <p>3. Investor Relations: In addition to respecting and safeguarding the legitimate rights and interests of investors, the Company shall perform its business in accordance with the principle of good faith and properly handle transaction disputes.</p> <p>4. Supplier Relations: The Company cherishes, values and is long-term partners with suppliers. We believe that only partnerships with similar ideas can last. Any supplier or contractor who delivers goods or provides services to the Company must perform in good faith and shall not damage the Company's corporate interests and image. The Company also asks employees to avoid any unethical behavior and conflicts of interest with manufacturers at any time.</p> <p>5. Stakeholder's Rights: Proposals that concern the interests of directors are conducted with proper recusal procedure.</p> <p>6. Director's Further Study: Directors of the Company have professional background, and the majority of the directors are currently engaged in their professional field. In addition, the Company provides related information on corporate governance to directors periodically to remind them of their responsibilities.</p> <p>7. Implementation of Risk Management Policies and Risk Measurement Standards: On 15 December 2022, the Company's board of directors resolved to stipulate the Regulations Governing Risk Management and has implemented them in accordance with the Regulations.</p> <p>8. Implementation of Customer Policy: The Company</p>	<p>No deviation.</p> <p>No deviation.</p> <p>No deviation.</p> <p>No deviation.</p> <p>No deviation.</p> <p>No deviation.</p>

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
			<p>passed the ISO9001 Quality System Certification and has a dedicated department to implement the overall operation to ensure the results of the Company's customer policy implementation.</p> <p>9. The Company continues to purchase liability insurance for directors.</p>	<p>No deviation.</p> <p>No deviation.</p>
<p>9. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.</p>	✓		<p>Based on the corporate governance assessment results for the 2023, the following are the priority matters and measures for strengthening:</p> <p>(1) Does the company's annual report disclose the linkage between director and manager performance evaluations and compensation?</p> <p>(2) Does the company's website and annual report disclose the measures and implementation status regarding the protection of employee personal safety and working environment?</p>	<p>(1) It is expected to be implemented starting from 2024.</p> <p>(2) It is expected to be implemented starting from 2024.</p>

Note: Regardless of whether "Yes" or "No" is selected for the operational status, it should be stated in the summary explanation field.

The Audit Committee of the Company evaluates the independence and suitability of its affiliated certified public accountants annually. It requires the certified public accountants to provide "Audit Quality Indicators (AQIs)" and evaluates them according to the standards outlined in Note 1. After confirming that the accountants have no other financial interests or business relationships with the company except for fees related to auditing, tax matters, ESG sustainability reports, and non-financial information disclosure services, and that the accountants' family members do not violate independence requirements, and considering AQI indicator information, it confirms that the accountants and their firms have auditing experience and training hours comparable to industry averages. The evaluation results for the most recent year were discussed and approved by the Audit Committee on 5 March 2023, and were subsequently reported to and approved by the board of directors on the same date.

Note 1: Evaluation on the independence of CPAs

Evaluation item	<u>Evaluation Results</u>	<u>Compliance with independence</u>
1. Whether the accountant Direct or indirect material financial interests between the CPAs and the Company?	No	Yes
2. Whether the accountant Financing or endorsements with the Company's Directors?	No	Yes
3. Whether the accountant Close business relations with the Company?	No	Yes
4. Are CPAs or members in the audit team in positions that could seriously impact the audit during these two years?	No	Yes
5 Whether the accountant. Provide Non-audit services that may directly impact auditing tasks?	No	Yes
6. Whether the accountant Serve as an agent in between to issue stocks and other securities?	No	Yes
7. Whether the accountant Serve as the Company's defense counsel or represent the Company in mediating conflicts with third parties?	No	Yes
8. Whether the accountant Are family members or relatives of the Company's Directors, Supervisors, or other individuals in positions that could seriously impact the audit?	No	Yes
9. Does the board of directors regularly refer to Audit Quality Indicators (AQIs) to evaluate the independence and suitability of the certified public accountants?	Yes	Yes

4.4 Composition, responsibilities, and operation of the Remuneration Committee

4.4.1 Remuneration Committee members

7 May 2024

Identity	Condition		Professional Qualification & Work Experience	Independence	Number of independent directorship held in other public companies
	Name				
Independent Director (convener)	LIN, YEN-TING		She is currently head of Plan-Wise International Corporation and the deputy director of Taichung City Industrial Association Labor Law Committee. He has more than five years of work experience in business, finance and company operation and has ability to make business judgement, crisis management, operation management and decision-making.	Comply with the provisions of Regulation Governing the Appointment and Exercise of Powers by Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, including but not limited to the person, spouse, relatives within the second degree who do not serve as directors, supervisors, employed or its affiliated companies. Person or employee, not holding the number of shares of the company; not serving as director, supervisor or employee of a company that has a specific relationship with the company; not providing business, legal, financial, accounting for the company or related companies in last two years for received amount of remuneration	-
Independent Director	TSOU, YEN-CHUNG		He is currently head of Sun Young CPAs Firm and has more than five years of work experience in business, finance and company operation and has ability to make business judgement, crisis, management, accounting, finance analysis and decision-making.		2
Independent Director	LI, SHIH-JEN		He is currently the chairman of Taxo Pharmaceutical CO., LTD, Transwell Biotech Co.,Ltd and has more than five years of work experience in business, finance and company operation, and he has business judgement, crisis management, international market outlook and decision-making skills		3

Note: None of the directors of the company has any circumstances related to Article 30 of Company Law.

4.4.2 Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee is composed of three members.
- (2) The term of office for current members runs from 9 August 2022 through 14 June 2025.

The Company convened a total of 3 (A) meetings of the Remuneration Committee over the past fiscal year. The attendance was as follows:

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A)	Remarks
Convener	LIN, YEN-TING	3	0	100%	-
Member	LI-SHIH-JEN	3	0	100%	-
Member	TSOU, YEN-CHUNG	3	0	100%	-

Other disclosures:

1. If the board does not adopt or amend the suggestions of the Remuneration committee, it shall state the date, term, proposal content, resolution results of the board of directors and the Company's response to the Remuneration Committee (such as the remuneration approved by the board of directors is better than the suggestions of the Remuneration committee, should explain the discrepancy and its reasons): None.
2. Should a committee member oppose or retain their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded.
3. Remuneration Committee functions and powers:
 - (1) Set the remuneration of directors.
 - (2) Set the remuneration of Chairman, vice president, chief executive officer, and general manager (managers).
 - (3) Other cases referred to by the board of directors for deliberation.

The proposals and results of the meeting and the Company's response to members' opinions

Date and Term	Proposal details and follow-ups
<p>The 5th Remuneration Committee The 3rd Meeting (17 January 2023)</p>	<ol style="list-style-type: none"> 1. Discuss remuneration for managers in 2023. Resolution: Unanimously approved. 2. The salary of managers will be increased from 1 January 2023. Resolution: Unanimously approved. 3. Review of 2023 remuneration for managers. Resolution: Unanimously approved. 4. Review of the Company's general manager remuneration Scheme Resolution: Unanimously approved. The Company's response to the Remuneration Committee's opinion: Not applicable.
<p>The 5th Remuneration Committee The 4th Meeting (14 March 2023)</p>	<ol style="list-style-type: none"> 1. The company's proposal for remuneration allocation for directors and employees in 2022. Resolution: Unanimously approved. The Company's response to the Remuneration Committee's opinion: Not applicable.
<p>The 5th Remuneration Committee The 5th Meeting (8 August 2023)</p>	<ol style="list-style-type: none"> 1. The company's proposal on director remuneration allocation for 2022. Resolution: Unanimously approved. 2. The company's proposal for remuneration allocation for managers and employees in 2022. Resolution: Unanimously approved. 3. Change for the Company's production department head and remuneration. Resolution: Unanimously approved. The Company's response to the Remuneration Committee's opinion: Not applicable.
<p>The 5th Remuneration Committee The 6th Meeting (30 January 2024)</p>	<ol style="list-style-type: none"> 1. Settle remuneration for managers in 2023. Resolution: Unanimously approved. 2. The salary of managers will be increased from 1 January 2024. Resolution: Unanimously approved. 3. Review of 2024 remuneration for managers. Resolution: Unanimously approved. 4. Review of the board performance bonus for the general manager for 2023. Resolution: Unanimously approved The Company's response to the Remuneration Committee's opinion: Not applicable.

4.4.5 Information on the members of the nomination committee and information on the operation situation: The Company has not established a Nomination Committee, so it is not applicable.

4.5 Implementation of Sustainable Development

Items Promoted	Implementation status		Variations (if any) with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	
1. Does the company establish a governance structure to promote sustainable development, and set up dedicated (part-time) position to promote sustainable development, which is authorized by the board of directors to handle senior manager, and the board of directors supervises the situation?	✓		<p>In line with the company's vision and mission for sustainable development, the board of directors agreed on 8 August 2023, to establish the "Sustainable Development Committee" and formulate the "Sustainable Development Committee Charters." The chairman of the board serves as the convener, with the general manager as the vice convener, collaborating with senior executives from various departments to review the company's operational and governance capabilities and establish medium- to long-term sustainable development plans.</p> <p>The "Sustainable Development Committee" serves as a vertically integrated and horizontally connected cross-departmental communication platform. Its primary function is to identify sustainability issues relevant to the company's operations and stakeholders, formulate corresponding strategies and work policies, execute annual plans, monitor implementation effectiveness, and ensure that sustainability strategies are integrated into the company's daily operations.</p> <p>The "Sustainable Development Committee" reports regularly to the board of directors on the progress and results of sustainable development implementation. In 2022, a total of 2 meetings were held, covering (1) goals and objectives related to sustainability issues, (2) progress and planning of sustainability reports, and (3) greenhouse gas inventory and confirmation of execution status.</p> <p>The board of directors regularly receives reports from the management</p>

Items Promoted	Implementation status		Brief Explanation	Variations (if any) with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies						
	Yes	No								
			team (including sustainability reports) and evaluates the company's strategies. The board must assess the likelihood of strategy success and regularly review progress, urging adjustments to the management team when necessary.							
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		<p>The risk assessment of the Company includes all subsidiary plants and branch office, through a process of significance assessment, the Company identifies four significant issues related to environment, society, and corporate governance.</p> <p>Based on the assessed risks, the following risk management policies or strategies are formulated: (2023)</p> <table border="1"> <thead> <tr> <th>Major Issues</th> <th>Risk Assessment Item</th> <th>Risk Description</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Pollution Control</td> <td> <ul style="list-style-type: none"> ● Continuous tightening of air pollution regulations impacts company operations and finances. ● Abnormalities in pollution control equipment leading to pollutant emissions. ● Difficulty in the disposal of wastewater </td> </tr> </tbody> </table>	Major Issues	Risk Assessment Item	Risk Description	Environment	Pollution Control	<ul style="list-style-type: none"> ● Continuous tightening of air pollution regulations impacts company operations and finances. ● Abnormalities in pollution control equipment leading to pollutant emissions. ● Difficulty in the disposal of wastewater 	No deviation.
Major Issues	Risk Assessment Item	Risk Description								
Environment	Pollution Control	<ul style="list-style-type: none"> ● Continuous tightening of air pollution regulations impacts company operations and finances. ● Abnormalities in pollution control equipment leading to pollutant emissions. ● Difficulty in the disposal of wastewater 								

Items Promoted	Implementation status			Variations (if any) with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies								
	Yes	No	Brief Explanation									
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3. Environmental Topic (1) Does the Company establish applicable	✓		(1) The Company set out management rules for air	No deviation.												

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	Yes	No		
environmental management system based on its industrial characteristics?			pollution, water pollution, waste and toxic treatment. The Company also promotes the ISO14001 environmental management system and formulates environment policies to comply with the law, conserve energy and reduce waste, protect the environment and continue to decarbonize and has been certified by SGS.	
(2) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?	✓		(2) Implementation of solvent distillation and recovery for recycling, reducing solvent procurement volume; implementation of process improvements: time reduction design for the dehydrated reflux tank; enhancement of N2 blow-off acid removal efficiency to shorten process time; heat recovery from the distillation tower for preheating of feedstock; purification of wastewater for reuse as raw material.	No deviation.
(3) Does the company assess the present and future risks and opportunities climate change poses on the company?	✓		(3) The company has established the Sustainable Development Committee as the highest governing body for climate change management, with the chairman serving as its chairperson. Annually, the committee reviews climate change objectives and strategies, manages climate change risks and opportunities, assesses implementation status, discusses future plans, and regularly reports to the board of directors.	No deviation.
(4) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		In accordance with the framework recommended by the Financial Stability Committee, the company evaluates climate change risks and opportunities. The latest climate risk assessment was completed by the end of 2022, focusing on the following five major risks: increased greenhouse gas emission prices, products and services replaced by low-carbon technologies, increased costs of transitioning to a low-carbon economy,	No deviation.

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			<p>rising average temperatures due to climate anomalies, and increased raw material costs.</p> <p>To mitigate these risks, the company simultaneously identifies feasible opportunities and formulates response measures. For mitigation of climate change, the company focuses on developing projects such as green operations and energy management, while for adaptation to climate change, it focuses on building sustainable operational capabilities and strengthening infrastructure.</p> <p>The explanation of the company's climate change risk and opportunity analysis has been disclosed in the appendix (Appendix VI) of the annual report and in the company's sustainability report.</p> <p>(4) The Company has disclosed relevant statistics in the chapters related to corporate social responsibility in the annual report and has implemented process improvements and energy-saving measures to reduce the use of resources.</p>	
<p>4. Social Welfare Topic</p> <p>(1) Does the Company set up management policy and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>(1) The Company complies with the Labor Standards Act and adheres to internationally recognized human rights standards such as the International Labor Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, and the United Nations Declaration on Human Rights. Relevant human rights protection and</p>	No deviation.

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	Yes	No		
(2) Does the Company establish appropriately managed employee welfare measures (including salary, leave, and other benefits), and is its operational performance and achievements reflected in their pay?	✓		<p>labor policies are formulated, management methods are established, and employee rights are safeguarded, with details published on the company's website.</p> <p>(2) Employee welfare measures should include, but are not limited to: employee remuneration, workplace diversity and equality (including but not limited to: the proportion of female employees than 24% and senior executives than 19%), vacation time, various allowances, bonuses, and subsidies.</p> <p>Business performance reflects employee compensation : Article 30 of the Company's Article of Incorporation stipulates that 3% of pre-tax net profits shall be allocated for employee remuneration and no more than 19% for director remuneration. The allocation of performance bonuses and year-end bonuses is linked to the company's profits and distributed based on performance evaluations.</p> <p>The company has a Staff Welfare Committee, which allocates welfare funds monthly based on one-thousandth of the turnover. In 2023, the company allocated over 2 million yuan, providing various benefits to employees, such as travel subsidies, birthday allowances, marriage allowances, maternity allowances, funeral allowances, and employee children scholarships.</p>	No deviation.
(3) Does the Company provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	✓		(3) The company follows the Occupational Safety and Health Act and establishes policies in accordance with the regulations of customers and relevant groups, respecting the requirements of relevant stakeholders for occupational safety and health, and building a healthy and happy workplace. Implement three-in-one safety education and training	No deviation.

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(4) Does the Company establish an effective competency development career training program for employees?	✓		<p>regularly at least once a year, cooperate with the Environmental Protection Bureau and the Fire Bureau to conduct ad-hoc drills and hold an annual employee health check. For related instructions, please refer to Chapter 5.4 Friendly Working Environment in the Company's sustainable development report.</p> <p>In 2023, the total number of employees who received occupational safety education and training in our company was 487, with a total investment of NT\$1,208,000. Among the formal employees in various factory areas, there were 3 occupational injury incidents, resulting in 3 injuries. The frequency rate (FR) of disabling injuries was 9.31, and the days away, restricted, or transferred (DART) injury rate was 1.86.</p> <p>(4) The company nurtures talent through three dimensions: basic skills, professional skills, and management skills. The training program includes orientation for new employees, general training, direct personnel training, professional/functional training, managerial training, and other courses. In the fiscal year 2023, the total training hours amounted to 4,061.5 hours.</p>	No deviation.
(5) Does the Company comply with relevant regulations and international standards in customer health and safety, customer privacy, marketing and labeling of products and services, and does it establish consumer or customer rights protection policies and complaint procedures?	✓		<p>(5) The marketing and labelling of the company's products ass comply with domestic and foreign and regulations on trademarks and patents and international standards.</p> <p>To safeguard customer rights, we have established a "Corrective and Preventive Measures Procedure" to regulate the handling procedures when</p>	No deviation.

Items Promoted	Implementation status		Variations (if any) with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies	
	Yes	No		Brief Explanation
(6) Has the Company established supplier management that requires that suppliers adhere to regulations dealing with such issues as the environment, workplace safety and health, worker rights and, if so, what is the status of implementation?	✓		<p>customer complaints occur, aiming for continuous improvement.</p> <p>(6)The company has established a "Supplier Qualification Assessment Procedure" requiring suppliers to adhere to relevant regulations in corporate governance, quality, environment, and social aspects. Suppliers are expected to meet criteria related to environmental protection, human rights, safety, and other selection conditions. This includes evaluating suppliers on environmental health and safety risks, prohibiting child labor, labor management, ensuring no harm to basic human rights, ethical standards, and integrity in operations.</p> <p>The company conducts an annual assessment of suppliers, evaluating aspects such as product quality, environmental hygiene, public safety, human rights, integrity in operations, and social welfare. In 2023, a total of 514 suppliers were assessed, with an average score of A.</p>	No deviation.
5. Does the Company follow international recognized reporting criteria or guides when disclosing non-financial Sustain Development reports? Did it obtain assurance or verification statements from third-party certification bodies for previously disclosed reports?	✓		<p>The Company has referred to the Global Reporting Initiative (GRI) Standards 2021 and the "Operation Rules for Preparation and Filing of Sustainability Reports by Listed Companies" issued by the Taiwan Stock Exchange serve as the basis for preparing the sustainability report. Additionally, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework and the industry-specific standards of the Sustainability Accounting Standards Board (SASB), particularly for the chemical industry category, are used as supplements. The disclosed information undergoes verification by a third-party verification unit and is published on the company's website. Furthermore, it</p>	No deviation.

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		is reported as required on the Market Observation Post System (MOPS) and the company's website.	
6. If PCSC has drawn up a code for Sustainable Development based on the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe any differences between said code and the Best Practice Principles: No deviation.			
7. Other important information that helps to understand the implementation of sustainable development: Relevant information of the company is disclosed on the Market Observation Post System.			

(7) Execution Status of Climate-Related Information:

Item	Execution Status
1. Describing the supervision and governance of climate-related risks and	1. Regarding the governance framework for climate change-related risks, the company places the board of directors as the highest authority for risk management. With the goal of complying with laws and promoting and implementing overall risk management within the company, the board aims to clearly understand the risks faced in operations, ensure the effectiveness of risk management, and ultimately bear the responsibility for risk management. Under the board, there is a "Sustainability Development Committee," which further establishes a "Risk Management Team" led by the general manager. This team is responsible for executing risk management tasks, including identifying and evaluating operational, financial, information security, legal, human resources, environmental, climate change, and other risks. It regularly reviews risk control reports from various units, tracks execution progress and improvements, and consolidates and reports the results of risk management execution from each unit to the Sustainability Development Committee. The Sustainability Development Committee manages the process of climate-related risks and opportunities and periodically evaluates the effectiveness of related strategies and impacts. It submits the results of risk

<p>opportunities by the board of directors and management.</p> <p>2. Explain how the identified climate risks and opportunities affect the company's business, strategies, and finances</p>	<p>management execution to the board of directors on a regular basis each year.</p> <p>2.</p>						
	Serial Number	Issue Category	Impact Timing	Potential Financial Impact	Analysis of Current Risks or Opportunities (Potential Impact on the Company)	Response Strategy	Risk/Opportunity Level
	1	Transition Risks/Policy and Law	Short-term	Increased Operating Costs	Anticipated climate change response laws are expected to impose carbon fees on major carbon emitters starting in 2025, and the company anticipates being subject to these carbon fees in the future.	Continuing to promote energy-saving and carbon-reduction measures, evaluating the replacement of old equipment in factory areas, increasing the recovery rate of process waste heat, and reducing energy consumption.	High
2	Transition Risks/Policy and Legal	Medium-term	Increased Operating Costs	The Taiwanese government has declared a 2050 net-zero transition goal, and the proportion of renewable energy and natural gas in the power supply mix is expected to increase in the future.	Various factory areas are gradually introducing	High	

(short, medium, and long term).					potentially leading to electricity price hikes.	energy management and monitoring systems to improve electricity efficiency, and assessing the installation of solar power generation to reduce reliance on purchased electricity.	
	3	Transition Risks/Policy and Legal	Medium-term	Increased Operating Costs	According to the regulations outlined in the sustainability development roadmap for listed companies issued by regulatory authorities, the company is required to complete carbon inventories by 2026 and undergo external verification by 2028.	In compliance with regulatory requirements, all factory areas are expected to complete greenhouse gas inventories by	High

						the 2026 year, and internal inventory seed personnel are anticipated to be trained with the assistance of external consultants..	
	4	Transition Risks/Market	Medium-term	Increased Operating Costs	The imposition of a carbon tax by the European Union in 2027 may lead to a rise in raw material costs, impacting product competitiveness.	To address this, the company plans to monitor market changes, establish secure inventory levels, and seek alternative low-cost raw materials based on business	Medium

						conditions. Additionally, efforts will be made to upgrade products and enhance their value proposition.	
	5	Transition Risk/Market	Medium-term	Decreased Product Revenue	The increasing demand from international customers for low-carbon products may lead to higher carbon taxes if products fail to reduce carbon emissions, thereby reducing customer willingness to purchase.	To address this, collaboration with suppliers will be enhanced to gradually complete product carbon footprint assessments and implement carbon reduction measures. Continuous	High

3. Describe the financial impact of extreme weather events and transition actions.						monitoring of industry developments and customer expectations will also be maintained.	
	6	Physical Risk / Chronic	Medium-term	Increased operating costs	Climate change will lead to higher average temperatures in the future, resulting in increased electricity consumption for chillers and air conditioning units due to increased heat load.	Strengthening the efficiency of equipment and pipeline insulation, and implementing regular cleaning procedures for cooling towers and chiller heat exchangers.	High
	7	Physical Risk/Chronic	Medium Term	Decreased Product Revenue	Under the RCP8.5 scenario, the average duration of drought is projected to be 4 months, leading to water shortages and reduced supply of tap water. This will impact the company's operational production and business revenue.	Internal water conservation measures will be implemented to increase process	High

4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.						wastewater recycling rates, and an emergency water shortage response plan will be established to ensure the effective execution of relevant mitigation measures.	
	8	Physical Risk / Acute	Medium Term	Decrease in product revenue	An increase in the number of days with extreme rainfall can lead to flooding in the factory area, affecting production.	The factory is equipped with flood prevention and drainage pumps, which are regularly maintained to reduce the probability of flooding caused by heavy rainfall	Medium

5. When conducting scenario analysis to assess resilience to climate change risks, the context, parameters, assumption						or floods. Every two years, the factory conducts flood contingency drills to enhance staff response capabilities.	
	9	Opportunity/Resource Efficiency	Short-term	Reduce operational costs	Adopting the principles of circular economy, recycling packaging materials and reusing process-generated waste liquids to minimize raw material usage and waste generation, effectively reducing operational costs.	Developing green chemical production technologies, securing patents, and seizing market opportunities; announcing company-wide policies on reusing packaging materials to enhance reuse	Very High

s, analysis factors, and major financial impacts should be explained.						rates.	
	10	Opportunity/Product and Service	Short-term	Increase product revenue	Droughts caused by climate change will increase weed growth and pests, significantly impacting crop production systems. More farmers are expected to utilize greenhouses, precision irrigation systems, and pesticides to enhance crop yields, providing an opportunity to increase product revenue in the future.	Strengthen communication with channel partners to understand potential product demands	Very High
	11	Opportunity/Product and Service	Short-term	Increase product revenue	There is a growing international trend towards sustainability and recyclability of products. TPV green environmental protection materials, due to their recyclability and durability, may experience higher demand in the sustainable product market.	Develop patents for material processes and applications, continue to diversify TPV green product specifications, and increase product sales.	Low
	12	Opportunity/Product and Service	Short-term	Increase product revenue	There is a rising demand from customers for green products. Water-based and biodegradable resin products can reduce chemical usage and carbon emissions, potentially attracting more customers in the future.	Master high-quality and high-efficiency	High

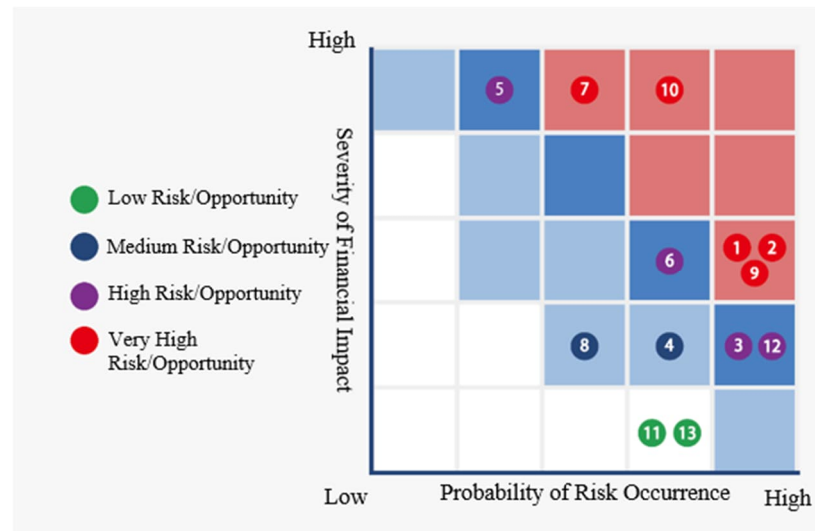
6. If there is a transition plan to address climate-related risks, please describe the content of the plan, as well as the indicators and goals used to identify and manage physical						formulations, focus on customization, establish technological barriers, and meet various customer needs.	
	13	Opportunity/Product and Service	Medium-term	Increase in product revenue	Opportunity/Product and Service. Medium-term. Increase in product revenue. Considering the product life cycle and carbon emissions along the value chain, we have developed lightweight foaming products to reduce carbon emissions generated in the raw material stage. Additionally, we collaborate with downstream customers to help them reduce carbon emissions generated in the foaming and dyeing processes during production. There is potential to attract more customer demand in the future.	Our approach involves independent research and development with patented technology and providing technical services tailored to customer needs to assist in developing customized products.	Low
<p>Note: Due to the increasing frequency and severity of extreme weather events, shipping may be affected by wind-related disasters, resulting in delayed voyages or reduced shipping schedules. This may lead to increased freight costs. As there is currently no relevant information available to assess the amount of increased freight costs, further evaluation will be conducted once more</p>							

and transitional risks.

comprehensive data becomes available in the future.

3. Using the degree of financial impact and the likelihood of risks and opportunities to assess their impact, risks and opportunities are categorized as follows: 1 to 4 points indicate low risk/opportunity, 5 to 9 points indicate medium risk/opportunity, 10 to 14 points indicate high risk/opportunity, and 15 points or above indicate very high risk/opportunity. The assessment results are as follows:

Climate Change Risk and Opportunity Matrix Diagram

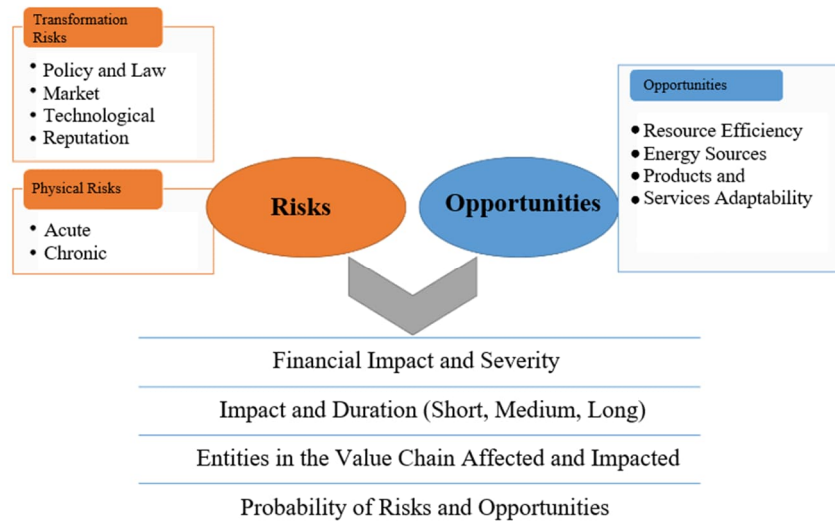


7. If internal carbon pricing is used as a planning tool, the basis for pricing should be explained.

8. If climate-related

goals are set, information such as the activities covered, scope of greenhouse gas emissions, planning timeframe, annual progress towards achievement, etc., should be provided. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve

4. The company has established a risk management procedure, which includes considerations for environmental and climate change risks within its risk categories. Understanding the nature and characteristics of identified risk events, as well as evaluating their probability and severity, is conducted through a risk matrix assessment. The results of this assessment serve as a reference for prioritizing subsequent risk control measures, aiming to prevent or mitigate potential risk impacts and keep risks within manageable limits to safeguard the interests of stakeholders.



5 Physical risk references the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) and the National Science and Technology Center for Disaster Reduction, which estimate the average change rate of the number of days per year with temperatures rising and daily rainfall exceeding 200 millimeters for the period from 2021 to 2040, based on scenarios like RCP 8.5.

Transformation risk scenarios refer to Taiwan's 2050 net-zero emissions pathway and strategies, with carbon tax set as a parameter.

these goals, details about the sources and quantities of carbon offsets or RECs exchanged should be explained.

The analysis considers the impact on the company in aspects such as policy and legal, market, technology, reputation, finance, and operations, assuming a carbon tax of NT\$300 per ton.

Note: RCPs represent Representative Concentration Pathways. In the IPCC Fifth Assessment Report, they redefine future scenarios based on pathways of concentration, indicating changes in radiative forcing between 2100 and 1750. RCP2.6 means an increase of 2.6 watts per square meter in radiative forcing by 2100, while RCP4.5, RCP6.0, and RCP8.5 represent increases of 4.5, 6.0, and 8.5 watts per square meter, respectively.

Location / Assessment Factor	Taoyuan	Taichung	Changhu	Nantou
Temperature increase from 2021 to 2040 (RCP 8.5)	1.6°C	1.5°C	1.5°C	1.5°C
Average change rate of the total number of days per year with daily rainfall exceeding 200 millimeters (RCP 8.5)	64%	52%	128%	44%

Factory Site / Assessment Factor	Pingzhen Plant	Dali Plant Dajia Plant	Quanxing Plant	Nangang Plant
Sea Level Rise (RCP 8.5) Unaffected (Unaffected Affected)	Unaffected	Unaffected	Unaffected	Unaffected
Areas Below the Tidal Line (With Flooding Risk) (RCP 8.5)	Unaffected	Unaffected	Unaffected	Unaffected
Below 2050 Flood Water Level (RCP 8.5)	Unaffected	Unaffected	Unaffected	Unaffected
Average Drought Duration (RCP 8.5)	4 months	4 months	4 months	4 months

6. The company closely monitors global climate change trends and international response directions, incorporating this issue into the major topics of corporate sustainable development. Continuous analysis and control are conducted, and the key points of the strategies are briefly outlined as follows. Indicators and goals can be referred to in point eight:

(1) Greenhouse Gas Inventory and Verification: Gradually complete greenhouse gas inventory and third-party verification at all locations in accordance with regulatory requirements.

(2) Energy Efficiency Improvement: Continuously introduce energy management and monitoring systems, replace high-energy-consuming equipment, install steam regulating valves to adjust steam, improve energy efficiency, and reduce energy consumption.

(3) Introduction of Renewable Energy Use: Plan to install roof-mounted solar power generation equipment at the Nangang plant and gradually promote the use of renewable energy.

(4) Development and Design of Environmentally Friendly Products: In response to the low-carbon transformation trend, the research and development unit considers the carbon emissions throughout the product life cycle and value chain, focusing on emission reduction, waste reduction, safety, and recycled products, helping downstream customers reduce carbon emissions.

(5) Supply Chain Collaboration: Utilize corporate influence to assist major suppliers in completing carbon inventory questionnaire surveys and explore future reduction potential.

(6) Strengthening Climate Resilience: Regularly maintain flood prevention equipment, establish emergency response SOPs for water use and rainfall, enhance response capabilities; establish a mechanism for maintaining safety inventory levels, conduct regular reviews, and maintain stable supply of raw materials.

7. Internal carbon pricing has not been used.

8.

9.Greenhouse Gas Inventory and Verification Situation, Reduction Targets, Strategies, and Specific Action Plans (also filled in sections 1-1 and 1-2).	Strategies	Future Goals
	Greenhouse Gas Inventory and Verification	Complete greenhouse gas inventory for all offices and production plants in Taiwan by 2025
		Complete greenhouse gas verification for all offices and production plants in Taiwan by 2026
	Enhancing Energy Efficiency	Achieve a 1% increase in energy savings across all production plants by 2023 compared to 2022
		Implement a complete replacement of LED lighting fixtures in office areas
		Implement energy management and monitoring systems in all production plants by 2026
		Achieve a 4.5% fuel oil saving in the light cracking unit at the Nangang plant by 2026
	Introducing Renewable Energy Use	Install solar power generation capacity of 300KW by 2025.
	Environmentally Friendly Product Research and Design	Complete a trial and testing of a 3D printing material amplification by 2025
		Develop and apply environmentally friendly thermoplastic polyurethane and key intermediates in a one-shot process by 2025
		Develop and apply water-based PU suspension and coating formulas with graphene dispersion by 2025
		Develop and apply dynamic cross-linking elastomers, foam technology by 2025
	Supply Chain Collaboration	Complete carbon inventory questionnaire surveys for the top ten key suppliers by 2025

	Enhancing Climate Resilience	Establish emergency water shortage response procedures by 2024
		Reduce boiler water consumption by 10% at the Dali Plant and 5% at the Pingzhen Plant by 2026. Improve steam condensate recovery by 40% at the Nangang Plant by 2026
		Regularly maintain flood prevention equipment
		Establish a safety stock mechanism by 2024 and review it periodically
	Strategy	Future Goals
	Greenhouse Gas Inventory and Verification	Complete greenhouse gas inventory for all offices and production facilities in Taiwan by 2025
		Complete greenhouse gas verification for all offices and production facilities in Taiwan by 2026
	Enhancing Energy Efficiency	Achieve a 1% electricity savings rate for each production plant by 2023 compared to 2022
		Replace all lighting fixtures in office areas with LED lights
		Implement energy management and monitoring systems in all production plants by 2026
		Achieve a 4.5% reduction in light cracked fuel oil consumption at the Nangang Plant by 2026
	Introduction of Renewable Energy Use	Install a 300KW capacity solar power generation system by 2025
	Development and Design of Environmentally	Conduct trial and testing for amplification of 3D printing materials by 2025
		Develop and apply one-shot environmentally friendly

	Friendly Products	thermoplastic polyurethane, key intermediates by 2025
		Develop and apply water-based PU suspension with graphene dispersion and coating formulas by 2025
		Develop and apply dynamic cross-linking elastomers, foam technology by 2025
	Supply Chain Collaboration	Complete carbon footprint survey questionnaire for the top ten key suppliers by 2025
	Enhancing Climate Resilience	Establish an emergency response plan for water shortages by 2024
		Reduce boiler water consumption by 10% at the Dali Plant and by 5% at the Pingzhen Plant by 2026. Increase steam condensate recovery rate by 40% at the Nangang Plant by 2026.
		Regular maintenance of flood control equipment
Establish a safety stock mechanism by 2024 and conduct regular reviews		

1-1 Recent Two-Year Company Greenhouse Gas Inventory and Verification Status

1-1-1 Greenhouse Gas Inventory Information:

Provide greenhouse gas emissions for the past two years (in metric tons of CO₂e), intensity (in metric tons of CO₂e per million dollars), and data coverage.

The company is currently preparing to conduct greenhouse gas inventory starting in 2024, in accordance with the requirements outlined in Article 10 of the Guidelines for the Disclosure of Material Information of Public Issuers and the Sustainability Pathway Map of TWSE and Tpx Listed Companies, with emissions disclosure scheduled for 2025.

Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the company), energy indirect emissions (Scope 2, i.e., emissions from purchased electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions from activities not directly owned or controlled by the company but related to its activities) should be included.

Note 2: Direct emissions and energy indirect emissions data must adhere to the specified schedule under Article 10, Paragraph 2 of the guidelines, while information on other indirect emissions may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO14064-1 published by the International Organization for Standardization (ISO).

Note 4: Greenhouse gas emission intensity may be calculated per unit of product/service or revenue, but data should be provided at least in terms of revenue (in million New Taiwan Dollars).

1-1-2 Greenhouse Gas Assurance Information:

Provide an explanation of the assurance status for the two most recent years up to the printing date of the annual report, including the scope of assurance, assurance provider, assurance criteria, and assurance opinion.

The company is currently preparing to conduct greenhouse gas inventory starting in 2024, in accordance with the requirements outlined in Article 10 of the Guidelines for the Disclosure of Material Information of Public Issuers and the Sustainability Pathway Map of TWSE and TPEX Listed and Over-the-Counter Companies, with emissions disclosure scheduled for 2025. Therefore, there is currently no assurance information available for greenhouse gas emissions.

Note 1: In accordance with the provisions set forth in Article 10, Paragraph 2 of the guidelines, if the company has not obtained complete greenhouse gas assurance opinions by the printing date of the annual report, it should be noted that "complete assurance information will be disclosed in the sustainability report." If the company has not prepared a sustainability report, it should be noted that "complete assurance information will be disclosed on the Taiwan Stock Exchange's website," and complete assurance information should be disclosed in the next annual report.

Note 2: Assurance providers should comply with relevant regulations established by the Taiwan Stock Exchange Corporation and the Taiwan Stock Exchange Market Observation Post Foundation regarding assurance providers for sustainability reports.

Note 3: Disclosure content can refer to the best practice examples provided on the Taiwan Stock Exchange Corporate Governance Center website.

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Provide details on the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and progress towards achieving reduction targets.

The company has not yet completed greenhouse gas inventory in accordance with the ISO 14064-1 standard; therefore, the selection of the baseline year cannot be determined at this time. Upon completion of the greenhouse gas inventory in 2025, the baseline year and reduction targets will be established. While reduction targets have not been set, the company, fulfilling its obligations as a global citizen, has developed greenhouse gas reduction strategies, including enhancing energy efficiency, introducing the use of renewable energy, etc. The company will actively implement energy-saving and carbon-reduction initiatives in the future to achieve sustainable development.

Note 1: Compliance should be in accordance with the provisions set forth in Article 10, Paragraph 2 of the guidelines.

Note 2: The baseline year should be the year in which the greenhouse gas inventory is completed based on the boundary of the consolidated financial statements. For example, according to the provisions set forth in Article 10, Paragraph 2 of the guidelines, companies with a capitalization of over 10 billion NT dollars should complete the inventory of consolidated financial statements for 2024. Therefore, the baseline year is 2024. If the company has completed the inventory of consolidated financial statements ahead of schedule, the earlier year may be used as the baseline year. Additionally, the data for the baseline year can be calculated as a single year or as an average of several years.

Note 3: Disclosure content can refer to the best practice examples provided on the Taiwan Stock Exchange Corporate Governance Center website.

8. Compliance with ethical corporate management and measures implemented:

Items Evaluated	Status			Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
<p>1. Establishment of ethical operation policies and programs</p> <p>(1) Does the Company clearly specify the policy, practice of ethical management in the regulations and external files, and does the board of directors, management level actively implement the commitment of ethical management?</p> <p>(2) Does the Company implement prevention measures for the business activities with high risk of dishonest behaviors in each clause of Article 7-2 of "Code of Ethical Management of the Listed and Over-the Counter Companies" or within the other business scope?</p> <p>(3) Does the Company formulate the operation procedure, behavior guidelines, punishments, and compliance policy? Does the Company also periodically review and revise the said programs?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has formulated the "Code of Integrity Management", and on 8 November 2019, the board of directors passed amendments to certain articles in accordance with the Letter-Tai-Zheng-Zhi-Li-Zi No. 1080008378, enhancing the policy of conducting business with integrity, and the commitment to actively implement the management policy.</p> <p>(2) The Company has formulated related specifications and evaluation mechanisms in the "Code of Integrity Management", and designated a dedicated unit to be responsible for implementation.</p> <p>(3) The Company has established the "Integrity Management Operating Procedures and Code of Conduct," which sets forth operating procedures, codes of conduct, disciplinary measures for violations, and a complaint system to demonstrate our commitment to integrity management and prevent unethical behavior.</p>	No deviation.
<p>2. Implementing ethical corporate management</p> <p>(1) Does the Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?</p> <p>(2) Does the Company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to</p>	<p>✓</p> <p>✓</p>		<p>(1) Before establishing a business relationship, the Company will evaluate the legitimacy of the counterparty to ensure that its business operations are transparent and will not request, provide or accept bribes.</p> <p>(2) The Company has clearly designated a dedicated unit responsible for the formulation and supervision of the integrity management policy and precaution plan, and regularly (once a year) reports the implementation to the management. The execution status of integrity</p>	No deviation.

Items Evaluated	Status			Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
<p>prevent dishonesty and supervision and implementation?</p> <p>(3) Does the Company formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?</p> <p>(4) Has the Company established the effective accounting system, internal control system to implement the ethical management, and are these systems regularly checked by the internal audit unit, or by the CPA?</p> <p>(5) Does the Company hold internal and external ethical corporate behavior training regularly?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>management for 2023 was reported to the board of directors on 7 May 2024.</p> <p>(3) The company has established the "Code of Conduct for Integrity Management," which clearly outlines policies to prevent conflicts of interest. Additionally, the company has formulated the "Employee Whistleblower Policy" and the "Whistleblower System Management Measures," allowing stakeholders to directly report any unlawful behavior to the company.</p> <p>(4) The Company has established an effective accounting system and internal control system. In addition to regular audits by internal auditing office, Ernst & Young also conducts regular financial report and internal control reviews.</p> <p>(5) New employees of the company receive education and guidance on the "Code of Integrity Management" upon joining. Additionally, on 17 October 2023, existing employees attended an education and training session on the "Code of Conduct for Integrity Management," which included an analysis of the integrity management guidelines for TWSE and TPEX listed companies (purpose and key points of the guidelines).</p>	
<p>3. Status for enforcing whistle-blowing system</p> <p>(1) Does the Company establish a specific whistleblowing and reward system, set up convenient channels, and designate appropriate personnel to handle the investigations, depending on the identity of the person being reported?</p> <p>(2)</p>	<p>✓</p>		<p>(1) The Company has formulated the "Code of Integrity Management", clearly defining reporting channels and assigning appropriate specialists. Integrate the integrity management policy with employee performance evaluations and human resources policies, establishing a clear system for</p>	<p>No deviation.</p>

Items Evaluated	Status		Brief Explanation	Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No		
(3) Does the Company established standard investigation procedures, follow-up measures, and relevant mechanisms to ensure confidentiality?	✓		rewards and penalties.	
(4) Does the Company adopt protection against possible mistreatment arising from reporting violations?	✓		(2) The Company has formulated the "Code of Integrity Management", which clearly stipulates that the identity of the informant and the content of the report shall be kept confidential. (3) The Company has formulated the "Code of Integrity Management" to govern related measures.	
4. Enhancing information disclosure Does the Company disclose the content of its Best Practice Principles and its effectiveness on their website and the TWSE market observation post system?	✓		The Company has made relevant disclosures on the Company website and Market Observation Post System.	No deviation.
5. If the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please discuss the specifics of the code and implementation below: The Company will plan and handle different items according to actual management needs.				
6. Other information that facilitate the understanding of Company ethical corporate management practices: for more details, please refer to the company's official website.				

9. If the Company has established corporate governance principles and related guidelines, the means of accessing this information should be disclosed: The Company has formulated the corporate governance principles and relevant regulations, please refer to SUNKO's company website for further information.

The Company should also disclose other significant information which may improve the understanding of its governance and operation:

10. For further relevant information on the Company, please visit SUNKO's company website.

11. Status of implementation of internal control system

i. Statement of Declaration on Internal Control System

SUNKO INK CO., LTD

Statement of Declaration on Internal Control System

Date: 5 March 2024

The internal control system of this Company in 2023 is hereby stated as follows according to the self-assessment results.

- I. The Company acknowledges that to establish, implement and maintain the internal control system is the responsibility of the Company's board of directors and manger, and this Company has established such system. Its purpose is to provide reasonable assurance for reaching the goals of effective and efficient operation (including making profits, achieving performance and ensuring the safety of assets, etc.), reliable, timely, transparent guidance and conforming to relevant specification, namely relevant laws and regulations, etc.
- II. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned three objectives. Moreover, the effectiveness of the internal control system may be altered as the environment changes and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the "Regulations Governing the Establishment of Internal Control System in Publicly Listed Companies" (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment;(2) Risk Assessment; (3) Control Activities;(4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to "The Regulations" for the aforementioned categories.
- IV. The Company has already adopted the aforementioned internal control system assessment items to evaluate the effectiveness of internal control system design and implementation.
- V. Based on the findings of the evaluation, the Company believes that, on 31 December 2023, it has maintained, in all material respects, an effective internal control system (including the supervision and management toward its subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations.
- VI. This statement of declaration shall be the primary content of the Company's Annual Report and prospectus and shall be made available to the public. Falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the board on 14 March 2024 where all 7 attending directors hereby stating their consenting opinions.

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Chairman: HUANG, TING-DI

General Manager: CHANG, CHUN-PIN

2. If the CPAs are entrusted for review of internal control system, the audit report prepared by the CPAs shall be disclosed: None.

12. From the most recent fiscal year up until the date of publication of the Annual Report, explain any legal penalty against the company or its internal personnel, or any disciplinary actions by the company against its personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the penalty, material deficiencies, and condition of improvement shall be disclosed: None.

13. Material resolutions adopted by the shareholders' meetings and the board meetings in the most recent fiscal year up to the publication date of this Annual Report:

i. Material resolutions at the board meeting

Date	Term of Meeting	Material Resolutions
17 Jan 2023	The 18 th Board of Directors The 6 th Meeting	<ol style="list-style-type: none"> 1. Settle Remuneration for Managers in 2022. 2. Adjustment to the remuneration for managers. 3. Review of the remuneration for manager in 2023. 4. Review of the Company's remuneration for general manager.
14 March 2023	The 18 th Board of Directors The 7 th Meeting	<ol style="list-style-type: none"> 1. Change of the Company's CPA. 2. Independence assessment of the certified public accountant and engagement of 2023 financial and tax audits. 3. Drafting the general principles for the pre-approval policy for non-assurance services in the Company. 4. Review of the 2022 parent only and consolidated financial reports. 5. Review of 2022 Business Report. 6. Review of the Company's 2022 surplus earning distribution. 7. Review of employee and director remuneration allocation for 2022 by the Company's Remuneration Committee. 8. 2022 Statement of Declaration on Internal Control System. 9. The amendment of the Company's Article of Incorporation. 10. The amendment of Sustainable Development Best Practice Principle (former CSR Best Practice Principle). 11. The amendment of Company's Rules of Procedure for Shareholder Meetings. 12. Setting the date, venue and reasons for convening the 2023 general shareholders' meeting. 13. Matters related to the venue and session of the 2023 general shareholders' meeting. 14. Renewal of directors' and managers' liability insurance. 15. Renewal of consultant contracts. 16. Application to banks for the loan credit line.
10 May 2023	The 18 th Board of Directors The 8 th Meeting	<ol style="list-style-type: none"> 1. 1. The Company's consolidated financial statements of Q1 for 2023, only proposed for discussion. 2. Application to banks for the loan credit line, only proposed for discussion. 3. Establishment of the position of "corporate governance supervisor" of the Company, only proposed for discussion.
5 July 2023	The 18 th Board of	<ol style="list-style-type: none"> 1. Matters related to establishing the base date for the

Date	Term of Meeting	Material Resolutions
	Directors The 9 th Meeting	distribution of cash dividends to shareholders for 2022, only proposed for discussion.
8 August 2023	The 18 th Board of Directors The 10 rd Meeting	<ol style="list-style-type: none"> 1. The Company's consolidated financial statements of Q2 for 2023, only proposed for discussion. 2. The Company's director remuneration distribution for 2022. 3. The Company's manager and employee remuneration distribution in 2022. 4. Change for the Company's production department head and remuneration. 5. Application to banks for the loan credit line, only proposed for discussion. 6. Proposal to establish the "Sustainable Development Committee" and formulate the "Organizational Regulations for the Sustainable Development Committee" of the Company, only proposed for discussion.
10 November 2023	The 18 th Board of Directors The 11 th Meeting	<ol style="list-style-type: none"> 1. The Company's consolidated financial statements of Q3 for 2023, only proposed for discussion. 2. 2024 All employee salary adjustment plan, only proposed for discussion. 3. Application to banks for the loan credit line, only proposed for discussion. 4. Amendment of the Company's Organizational Regulations, only proposed for discussion.
8 November 2022	The 18 th Board of Directors The 12 th Meeting	<ol style="list-style-type: none"> 1. 2024 operating plan, only proposed for discussion. 2. 2024 budget for proposal, only proposed for discussion. 3. 2024 internal audit plan, only proposed for discussion. 4. Asset leasing, only proposed for discussion.
30 January 2024	The 18 th Board of Directors The 13 th Meeting	<ol style="list-style-type: none"> 1. Settle remuneration for managers in 2023. 2. The salary of managers will be increased from 1 January 2024 3. Review of 2024 remuneration for managers. 4. Review of the board performance bonus for the general manager for 2023
5 March 2024	The 18 th Board of Directors The 14 th Meeting	<ol style="list-style-type: none"> 1. Independence assessment of certified public accountant and engagement of 2024 financial and tax audits, only proposed for discussion. 2. Drafting the general principles for the pre-approval policy for non-assurance services in the Company, only proposed for discussion. 3. Review of the 2023 parent company only and consolidated financial reports, only proposed for discussion. 4. Review of the Company's 2023 Business Report, only proposed for discussion. 5. 2023 earnings appropriation proposal, only proposed for discussion. 6. 2023 Statement of Declaration on Internal control system, only proposed for discussion. 7. Amendment of the "Audit Committee Charter" and "Board Meeting Procedures" of the Company, only proposed for

Date	Term of Meeting	Material Resolutions
		<p>discussion.</p> <p>8. Amendment of the Company’s authority matrix, only proposed for discussion.</p> <p>9. Setting the date, venue and reasons for convening of the 2024 general shareholders’ meeting, only proposed for discussion.</p> <p>10. Matters related to the venue and session of the 2024 general shareholders’ meeting., only proposed for discussion.</p> <p>11. Renewal of directors’ and managers’ liability insurance, only proposed for discussion.</p> <p>12. Application to banks for the loan credit line, only proposed for discussion.</p>
7 May 2024	The 18 th Board of Directors The 15 th Meeting	<p>1. The Company’s consolidated financial statements of Q1 for 2024, only proposed for discussion.</p> <p>2. Application to banks for the loan credit line, only proposed for discussion.</p> <p>3. Amendment of the Company’s “Rules of Procedure for Board of Directors Meetings”, only proposed for discussion.</p> <p>4. Amendment of the Company’s “recycling production”, only proposed for discussion.</p>

ii. Material resolutions at the 2023 shareholders meeting

Date	Name of Meeting	Material resolutions
14 Jun 2023	2023 general shareholders’ meeting	1. Ratification of 2022 business report and financial reports. Execution status: Resolution passed
		2. Ratification of 2022 surplus earning distribution.’ Execution status: Execution in accordance with the resolution.
		3. Discussion the amendment of the Company’s Article of Incorporation. Execution status: Execution in accordance with the resolution.
		4. Discussion the amendment of Company’s Rules of Procedure for Shareholder Meetings. Execution status: Execution in accordance with the resolution.

(14) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding material resolutions of the board meeting in the most recent year up to the publication date of this Annual Report: None.

(15) Resignation or dismissal of the company’s key individuals, including the chairman, general manager, and heads of accounting, finance, internal audit and R&D in the most recent fiscal year up to the publication date of this Annual Report: None.

2. Information on certified CPA Professional Fees

Information on Certified CPA Professional Fee						
					Unit: NT\$ (in thousands)	
Accounting Firm	Name of CPA	Duration of Audit	Audit Fee	Non-Audit Fee	Total	Remark
Ernst & Young	CHEN, MING HUNG YEN, WEN- PI	1 January 2023- 31 March 2023	3,400	615	4,015	Non-audit fee include Tax compliance audit NT\$300 thousands and NT\$315 thousands for ESG verification service.
Ernst & Young	CHEN, MING HUNG HUANG, TZU-PING	1 April 2023- 31 December 2023				

- 5.1 If the accounting firm was replaced and if the audit fees paid for the fiscal year in which such replacement took place are lower than those for the previous year, the reduction in the amount of audit fees, percentage of reduction and the reason(s) should be disclosed: None.
- 5.2 If the audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) should be disclosed: None.
3. Information of Changing CPAs: None.
4. The Chairman, President and Financial or Accounting Manager of the Company who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated company: None.
5. Equity transfer or changes in equity pledged by the Company's directors, supervisors, managers or shareholders with shareholding percentage exceeding 10% in the most recent fiscal year up to the publication date of this Annual Report.

8.1 Circumstance of changes in equity of directors, supervisors, managers and major shareholders:

Title	Name	2023		As of 30 April 2024	
		Holding Increase (decrease)	Pledged Holding Increase (decrease)	Holding Increase (decrease)	Pledged Holding Increase (decrease)
Chairman	KT Investment Co., Ltd.	-	-	-	-
	Representative of KT Investment Co., Ltd.: HUANG, TING-DI	-	-	-	-
Director	KT Investment Co., Ltd.	-	-	-	-
	Representative of Fulilu Investment Co., Ltd.: HUANG, SHUN-HSIEN	-	-	-	-
Director	Chiaoli Investment Co., Ltd.	-	-	-	-
	Representative of Chiaoli Investment Co., Ltd.: LIN, YU-PING	-	-	-	-
Director	Chiaoli Investment Co., Ltd.	-	-	-	-
	Representative of Chiaoli Investment Co., Ltd.: HUANG, ZHAO-WEI	-	-	-	-
Independent Director	LI, SHIH-JEN	-	-	-	-
Independent Director	TSOU, YEN-CHUNG	-	-	-	-
Independent Director	LIN, YEN-TING	-	-	-	-
General Manager	CHANG, CHUN-PIN	-	-	-	-
Minister of Production	LIN, CHAO-YUAN(Note 1)	-	-	-	-
Minister of Production	SHEN, CHI-YUNG	-	-	-	-
Minister of Production	HUANG, SHUN-HSIEN	(20,000)-	-	-	-
Minister of Production	HUANG, ZHAO-WEI(Note 2)				
Manager of Management Department	HUNG, TING-YI(Note1)	-	-	-	-
R&D Department Supervisor	TSOU, CHIOU-PENG	(14,000)	-	-	-
Finance Office Supervisor	ZHANG, CHU-XING	-	-	-	-
Accounting Office Manager	WANG, SHENG-HUI	-	-	-	-

Note 1: Minister of Production LIN, CHAO-YUAN resigned on 16 October 2023.

Note 2: Minister of Production HUANG, ZHAO-WEI took office on 1 September 2023,

8.2 Stock transfers or pledge of stock rights to related parties: None.

9 Relationship information, if among the Company's 10 largest shareholders any one is a related party or a spouse and relative within the second degree of kinship of another

Name	Shares held personally		Shares held by spouse or minor children		Shares held by nominee agents		Names of spouse or other relatives within two degrees of consanguinity who are also among SUNKO's top 10 largest shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Macy Investment Co., Ltd.	16,838,191	9.107%	-	-	(Note 1)	-	HUANG, YI-RUNG HUANG, TING-DI LIN, YU-PING WANG, PAO-LING	Director Director Director Supervisor	
Representative of Macy Investment Co., Ltd.: CHIU, CHI-CHIH	-	-	(Note 1)	-	(Note 1)	-	KT Investment Co., Ltd.	Same representative	
KT Investment Co., Ltd.	10,801,010	5.842%	-	-	-	-	HUANG, YI-RUNG HUANG, TING-DI SUNKO INK CO., LTD.	Director Supervisor Director of the company	
Representative of KT Investment Co., Ltd.: CHIU, CHI-CHIH	-	-	(Note 1)	-	(Note 1)	-	Macy Investment Co., Ltd.	Same representative	
Chiaoli Investment Co., Ltd.	6,503,902	3.518%	-	-	-	-	LIN, YU-PING HUANG, TING-DI SUNKO INK CO., LTD.	Director Director Director of the company	
Representative of Chiaoli Investment Co., Ltd.: KAO, CHING-MEI	-	-	(Note 1)	-	(Note 1)	-	LIN, YU-PING HUANG, TING-DI	Daughter Son-in-law	
HUANG, YI-RUNG	5,988,685	3.239%	1,555,855	0.842%	-	-	Macy Investment Co., Ltd KT Investment Co., Ltd LIN, YU-PING HUANG, TING-DI	Director Director Daughter-in-law Son	
LIN, YU-PING	3,146,718	1.702%	3,332	0.002%	-	-	Macy Investment Co., Ltd. Chiaoli Investment	Director Director	

Name	Shares held personally		Shares held by spouse or minor children		Shares held by nominee agents		Names of spouse or other relatives within two degrees of consanguinity who are also among SUNKO's top 10 largest shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
							Co., Ltd. HUANG, YI-RUNG KAO, CHING-MEI HUANG, TING-DI	Father-in-law Mother Husband	
ZHUANG, HONG-DE	1,928,809	1.043%	(Note1)	-	(Note1)	-	(Note1)		-
TONG, CING-MEI	1,555,855	0.842%	5,988,685	3.239%	(Note1)	-	Macy Investment Co., Ltd. KT Investment Co., Ltd. Chiaoli Investment Co., Ltd. HUANG, YI-RUNG HUANG, TING-DI LIN, YU-PING	Director Director Director Spouse Mother and Son Mother-in-law	
Fulilu Investment Co., Ltd.	1,417,109	0.766%	-	-	-	-	SUNKO INK CO., LTD.		
Representative of Fulilu Investment Co., Ltd.: WANG, PAO-LING	-	-	(Note1)	-	(Note1)	-	Macy Investment Co., Ltd.	Supervisor	
ZHANG, SHENG-YEN	1,412,209	0.764%	(Note1)	-	(Note1)	-	(Note 1)	-	
J.P. Morgan Securities LLC, Custodian for Morgan Stanley Investment Account	1,348,800	0.729%	(Note1)	-	(Note1)		(Note 1)	-	-

Note1: The shareholder is not an insider of the Company. Therefore, information about his/ her spouses, minor children, or other persons holding the shares is not available.

10 Number of shares hold for the same reinvestment business by the company's directors, supervisors, manager and the company's directly or indirectly controlled business, and combined calculation of the comprehensive shareholding ratio:

Unit: shares; %

Affiliated Enterprise	Investments by SUNKO		Investments of directors, supervisors, managers and directly or indirectly controlled businesses		Combined Investment	
	Shares	%	Shares	%	Shares	%
Sunko Biotech Company, Ltd.	1,674,044	22.32%	-	-	1,674,044	22.32%
CHEN CHI TECHNOLOGY CO., LTD.	1,640,000	41.00%	-	-	1,640,000	41.00%
Kuo Ching Development Corp.	200,000	100.00%	-	-	200,000	100.00%
Blessingthoughts Co. Ltd. (Note1)	-	-	-	-	-	-
BNKC BIOCHEMICAL TECHNOLOGY CO., LTD. (Note2)	-	-	-	-	-	-
Power Rich International LTD. (Note3)	1	0%	-	-	1	0%

Note1: Blessingthoughts Co. Ltd. was dissolved on 3 December 2021, and the liquidation process was completed on 14 April 2023.

Note 2: The Company sold its investment in the aforementioned company in November of 2023.

Note 3: The Company lost significant influence over the aforementioned company in November of 2023. From the date of loss of significant influence, it is reclassified under financial assets measured at fair value through other comprehensive income.

IV. CAPITAL OVERVIEW

1 Source of Capital

1.1 Shares issued

Units: NT\$; Shares

Year/ Month	Issuance price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets other than Cash	Other
1989/09	10.0	19,900,000	199,000,000	19,900,000	199,000,000	Capital Increase by Cash of 30,000,000 Capital Increase by Retained Earnings of 39,000,000	None	
1991/12	10.0	22,885,000	228,850,000	22,885,000	228,850,000	Capital Increase by Retained Earnings of 29,850,000	None	Note 1
1992/11	10.0	30,208,200	302,082,000	30,208,200	302,082,000	Capital Increase by Retained Earnings of 73,232,000	None	Note 2
1993/12	10.0	35,343,594	353,435,940	35,343,594	353,435,940	Capital Increase by Retained Earnings of 51,353,940	None	Note 3
1994/10	10.0	42,000,000	420,000,000	42,000,000	420,000,000	Capital Increase by Cash of 20,617,390 Capital Increase by Retained Earnings of 45,946,670	None	Note 4
1995/06	10.0	46,200,000	462,000,000	46,200,000	462,000,000	Capital Increase by Retained Earnings of 42,000,000	None	Note 5
1996/03	10.0	73,900,000	739,000,000	53,130,000	531,300,000	Capital Increase by Retained Earnings of 69,300,000	None	Note 6
1997/07	10.0	73,900,000	739,000,000	71,062,600	710,626,000	Capital Increase by Cash of 115,570,000 Capital Increase by Retained Earnings of 63,756,000	None	Note 7
1998/06	10.0	150,000,000	1,500,000,000	95,934,510	959,345,100	Capital Increase by Retained Earnings of 106,593,900 Capital Increase by Capital surplus of 142,125,200	None	Note 8
2007/08	7.6	150,000,000	1,500,000,000	125,934,510	1,259,345,100	Private placement of 300,000,000	None	Note 9
2009/10	10.0	150,000,000	1,500,000,000	73,676,977	736,769,770	Capital reduction to cover losses of 522,575,330	None	Note 10
2012/11	6.0	150,000,000	1,500,000,000	78,676,977	786,769,770	Private placement of 50,000,000	None	Note 11
2012/12	5.95	150,000,000	1,500,000,000	83,676,977	836,769,770	Private placement of 50,000,000	None	Note 12
2016/04	10.0	250,000,000	2,500,000,000	222,347,344	2,223,473,440	Increase by issuance of new shares due to merger of 1,438,903,670 Reduction due to merger of 52,200,000	None	Note 13
2020/12	10.0	250,000,000	2,500,000,000	188,995,242	1,889,952,420	Capital reduction of 333,521,020.	None	Note 14
2022/02	10.0	250,000,000	2,500,000,000	184,884,092	1,848,840,920	Treasury shares were canceled 41,111,500 accordingly due to capital reduction.	None	Note 15

Note:

- (1) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (80) Tai-Cai-Cheng (1) No. 03297 on 27 November 1991.
- (2) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (81) Tai-Cai-Cheng (1) No. 02945 on 13 November 1992.
- (3) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (82) Tai-Cai-Cheng (1) No. 44324 on 1 December 1993.
- (4) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (83) Tai-Cai-Cheng (1) No. 32308 on 30 July 1994.
- (5) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (84) Tai-Cai-Cheng (1) No. 37871 on 29 June 1995.
- (6) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (85) Tai-Cai-Cheng (1) No. 18743 on 7 March 1996.
- (7) The Financial Supervisory Commission approved a capital increase by Retained Earnings of 63,756,000 and capital increase by cash of 115,570,000 on 28 July 1997. (Letter Tai-Cai-Cheng (1) No. 51554)
- (8) Approved by the Securities and Futures Commission, Ministry of Finance with Letter (87) Tai-Cai-Cheng (1) No. 51527 on 15 June 1998.
- (9) 30,000,000 privately placed ordinary shares, with a face value of NT\$10, issued at a discount of NT\$7.6 per share.
- (10) The Financial Supervisory Commission of the Executive Yuan approved a capital reduction of NT\$522,575,330 by Letter Jin-Guan-Cheng-FA-Zi No. 0980043460 on 18 September 2009. On 23 October 2009, the Ministry of Economic Affairs approved on the application for capital reduction and the registration of changes to the Articles of Association by Letter Jing-Shou-Shang-Zi No. 09801239000.
- (11) 5,000,000 privately placed ordinary shares, with a face value of NT\$10, issued at a discount of NT\$6 per share. On 15 November 2012, the Ministry of Economic Affairs approved on the application for the registration of changes in the issuance of new shares by Letter Jing-Shou-Shang-Zi No. 10101236030.
- (12) 5,000,000 privately placed ordinary shares, with a face value of NT\$10, issued at a discount of NT\$5.95 per share. On 24 December 2012, the Ministry of Economic Affairs approved on the application for the registration of changes in the issuance of new shares by Letter Jing-Shou-Shang-Zi No. 10101260990.
- (13) Approved by the Financial Supervisory Commission on 4 March 2016 (Letter Jin-Guan-Cheng-FA-Zi No. 1050005429) on the issue of 143,890,367 ordinary shares with a face value of NT\$ 10 due to the merger, and was approved for the registration of changes by Letter Jing-Shou-Shang-Zi No. 10501066910.
- (14) Approved by the Financial Supervisory Commission on 15 December 2020 (Letter Jin-Guan-Cheng-FA-Zi No. 1090376896), and was approved for the application for capital reduction and registration of changes by Letter Jing-Shou-Shang-Zi No. 10901243830.
- (15) Approved by the Department of Commerce of the Ministry of Economic Affairs Commission on 7 February 2022 (Letter JING-SHOU-SHANG-ZI No. 11101015590), and was approved for the application for that treasury shares were canceled accordingly due to capital reduction in accordance with the shareholding ratio.

14 April 2024

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Non-Issued Shares	Total	
Common Stock	Public: 165,715,572 Private: 19,168,520	65,115,908	250,000,000	-

Note: The Company does not issue any preferred stock.

Information related to the Declaration Policy

Class of Securities	Estimated shares of issuance		Issued Shares		Objective and estimated gains of the issued shares	Estimated issuance date of the non-issued shares	Remarks
	Total Shares	Amount	Shares	Price			
-	-	-	-	-	-	-	-

2 Shareholder structure

14 April 2024

Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Individuals	Total
Quantity						
Number of Shareholders	0	5	191	53,262	62	53,520
Shares Held	0	444,328	36,798,246	143,075,207	4,566,311	184,884,092
Holding Percentage	0	0.24%	19.90%	77.39%	2.47%	100.00%

As of 14 April 2024, the Company did not have any equity holdings from China.

3 Shareholding Distribution Status

14 April 2024

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage
1 to 999	34,888	1,847,971	1.00%
1,000 to 5,000	14,337	31,211,147	16.88%
5,001 to 10,000	2,345	19,137,166	10.35%
10,001 to 15,000	588	7,684,120	4.16%
15,001 to 20,000	479	9,122,932	4.93%
20,001 to 30,000	313	8,104,515	4.38%
30,001 to 40,000	165	5,909,307	3.20%
40,001 to 50,000	112	5,297,952	2.87%
50,001 to 100,000	164	11,893,642	6.43%
100,001 to 200,000	67	9,431,795	5.10%
200,001 to 400,000	29	8,225,595	4.45%
400,001 to 600,000	10	4,837,175	2.62%
600,001 to 800,000	6	4,194,871	2.27%
800,001 to 1,000,000	3	2,575,272	1.39%
1,000,001 and above	14	55,410,632	29.97%
Total	53,520	184,884,092	100.00%

Note: The Company does not issue any preferred stock.

- 4 List of Major shareholders: List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list

14 April 2024

Shareholders	Shares	Number of Shares Held	Holding Percentage
Macy Investment Co., Ltd.		16,838,191	9.107%
KT Investment Co., Ltd.		10,801,010	5.842%
Chiaoli Investment Co., Ltd.		6,503,902	3.518%
HUANG, YI-RUNG		5,988,685	3.239%
LIN, YU-PING		3,146,718	1.702%
ZHUANG, HONG-DE		1,928,809	1.043%
TONG, CING-MEI		1,555,855	0.842%
Fulilu Investment Co., Ltd.		1,417,109	0.766%
ZHANG, SHENG-YEN		1,412,209	0.764%
J.P. Morgan Securities LLC, Custodian for Morgan Stanley Investment Account		1,348,800	0.730%

5 Share prices, net value, earnings, dividends, and other relevant information in the past two years

Unit: NT\$

Item		Year	2022	2023	As of 7 May 2024
		Market Price per Share (Note 1)	Highest		29.00
Lowest			12.50	12.09	14.05
Average			18.19	15.07	14.05
Net Value per Share (Note 2)	Before Distribution		12.97	11.40	10.97
	After Distribution		12.97	11.40	10.97
Earnings per Share	Weighted Average Number of Shares (Shares)		185,026,263	184,884,092	184,884,092
	Earnings per Share	Before adjustment	0.33	(1.50)	(0.44)
		After adjustment (Note 3)	0.33	(1.50)	(0.44)
Dividend per Share	Cash dividend		0.1	-	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price-to-earnings Ratio (Note 5)		55.12	(10.05)	-
	Price-to-dividend Ratio (Note 6)		181.90	-	-
	Cash Dividend Yield (Note 7)		0.55	-	-

- Note:
- (1) The highest and lowest market price of the shares for each fiscal year are listed and the average market price for each fiscal year is calculated based on trading value and volume in each fiscal year.
 - (2) Please fill these rows based on the number of shares issued at the end of the fiscal year and the distribution plan approved at the shareholders' meeting in the subsequent fiscal year or the board of director.
 - (3) If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.
 - (4) If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.
 - (5) Price/Earnings Ratio= Average closing price per share for the current fiscal year / earnings per share.
 - (6) Price/Dividend Ratio= Average closing price per share of the year/cash dividends per share.
 - (7) Cash Dividend Yield =cash dividend per share / current year average per share closing price.
 - (8) The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the CPA in the nearest quarter by the end of print date of annual report, while the rest of the fields shall be filled in with the data of current year by the end of print date of annual report.

6 Dividend policy and implementation status

6.1 Dividend policy as outlined in the Company's Articles of Incorporation

The general final accounts shall be distributed according to the following order in case of surplus:

- (1) Income tax obligation
- (2) Offsetting accumulated deficits, if any
- (3) Set aside 10% as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.
- (4) Set aside or reserve special reserve in accordance with law and regulations.
- (5) In combining the balance with the accumulated undistributed surplus of the previous period, the Board shall prepare a proposal for earnings distribution and submit it to the shareholders' meeting for a resolution distributing dividends to shareholders.

To adhere to the principle of sustainable operation, the Board of Directors shall, pursuant to the Company Act and the Company's Articles of Incorporation, make the dividend distribution proposal (including cash and share bonus) annually prior to the shareholders' meeting based on the Company's operation, financials and capital planning. At least 20% of the dividends must be paid in the form of cash.

6.2 The Company shall distribute the dividends based on the Company's earnings status, taking future capital needs and the impact of the tax policy on the company and shareholders into accounts. The Company determines the type, the amount and timing of dividend while maintaining stable dividends.

6.3 Dividend distribution for the current year:

The board of directors of the Company resolved on 5 March 2024, due to a net loss after tax in the amount of NT\$277,966,310 for 2023, the distributable earnings is NT\$129,148,250. To reinforce operating funds, it is proposed not to distribute dividends.

7 The impacts of issuing stock grants in this shareholder's meeting on the Company's operational performance and earnings per share: None.

8 Employee compensation and directors' and supervisors' remuneration

8.1 The amount or scope of the remuneration of employees, directors and supervisors stated in the Articles of Incorporation: According to the Articles of Incorporation, in case of surplus, at least 3% of profit of the current year shall be appropriated as employees' compensation, and no higher than 1% of profit of the current year shall be appropriated as remuneration to board directors. However, the accumulated deficits, if any, shall first be made up for. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributed to employees in the form of stock or cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting.

8.2 The accounting treatment when there is a discrepancy between the calculation basis of the amount of compensation for employees, directors and supervisors, and the calculation basis of the number of shares for employee remuneration distributed by stocks and the actual distribution amount in the current period:

Based on earnings as of 31 December 2023 and for the year then ended, the Company appropriated amounts of the employees' remuneration and directors' remuneration at 3% and 1% of earnings for due to the net loss in 2023, employees' remuneration and directors' remuneration were not recognized.

8.3 Remuneration distribution approved by the board of directors:

The Company incurred after-tax losses in 2023, therefore, no recognition was made for employees' remuneration and directors' remuneration, and thus, no related information regarding distribution is available.

8.4 Status of actual distribution of remuneration of employees, directors and supervisors of the previous year (including the number, amount and share price of shares distributed), any discrepancies with the recognized remuneration of employees, directors and supervisors, and detailed description of amount, reason and treatment of discrepancy:

The actual distribution of employees' remuneration and directors' remuneration by the Company in 2022 is consistent with the amounts recognized as expenses in the financial statements for 2022.

9 Company Share Repurchase Status

Repurchase time	First (Period)
Repurchase purpose	Transfer shares to employees
Repurchase period	14 November 2018 - 10 January 2019
Price range	NT\$6.5 to NT\$14
Type and quantity of shares that repurchased	5,319,000 common shares
Amount of shares that repurchased	NT\$52,768,285
Ratio of the quantity of shares that are repurchased to the quantity expected to be repurchased (%)	88.65%
Number of shares cancelled and transferred	-
Accumulated number of company shares held	4,521,150 shares (Note)
Percentage of total company shares held (%)	2.39%

Note: Approved by the Financial Supervisory Commission on 15 December 2020 (Jin-Guan-Cheng-Fa-Zi No. 1090376896) and was approved by Letter Jing-Shou-Shang-Zi No. 10901243830 for capital reduction and registration of changes from 5,319,000 shares to 4,521,150 shares.

10 Status of Corporate Bonds: None.

11 Status of Preferred Stocks: None.

12 Status of Global Depositary Receipts: None.

13 Status of Employee Stock Options: None.

14 Restriction on new employee shares: None.

15 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

16 Financing Plans and Implementation: None.

V. OPERATION HIGHLIGHTS

1 Business Activities

1.1 Business Scope

1.1.1 Main Businesses

- (1) Active Pharmaceutical Ingredients of Agrochemicals
- (2) Rubber and polymer additives
- (3) Cosmetic raw materials
- (4) Elastomer (TPV), and Elastomer (TPU)
- (5) Synthetic resin, primer, adhesive, hardening agent, accelerant
- (6) Other chemicals

1.1.2 Major Product Lines and the breakdowns

Unit: NT\$ (in thousands)

Items/Year	For the years ended 31December			
	2022		2023	
	Amount	%	Amount	%
Fine chemicals	2,235,036	74.29	1,598,747	73.14
Agrochemicals	388,743	8.64	326,228	14.93
Elastomer	260,007	12.92	180,344	8.25
Resin	112,459	3.74	70,118	3.21
Others	12,309	0.41	10,234	0.47
Total	3,008,554	100.00	2,185,671	100.00

1.1.3 Current Products and New Products Planned

Category	Product Name	New Products Planned
Fine Chemicals	Antioxidant	Increasing the derivative products with existing products.
	Curing Agent	
	Non-halogenated Flame Retardant	
	Electronic Chemicals	
	Nucleating Agent	
Polymer	TPU	Inert elastomer Vibration-absorptive material New polyolefin elastomer
	TPV	
	Polyol	
	PU products	

1.2 Industry Overview

1.2.1 The present and the future

- (1) Chemical industry is the cornerstone of consumer products and technology industry. It can be divided into two broad categories which include commodity chemicals and fine chemicals. Fine chemicals are complex substances that are produced in batches, lesser volumes and at a higher unit price. Prone to variations from different composition, the products have diverse characteristics. As the chemicals are significantly smaller in scale of production, the cost only accounts for an insignificant portion in the total product costs. Considering the fine chemicals' low ratio in the end-use costs, the users don't usually take risks changing their suppliers. As a result, fine chemicals customer loyalty is greater than that of commodity chemicals.

	Output	Composition	Application	Life Cycle	Added Value
Commodity Chemicals	High	Simple	Wide	Long	Low
Fine Chemicals	low	Complex	Narrow	Short	High

Source: 2020 Petrochemical and Specialty Chemical Industry Yearbook

Widely used in the industry, fine chemicals are a class of specialized products used for various purposes. Therefore, it is ambiguous to state what defines fine chemicals. polymer additives, adhesives, and coatings are the three categories in which fine chemicals are mainly used. Take our products for example: antioxidant, nucleating agent and non-halogenated flame retardants lie in the “polymer additives” category, while curing agent and electronic chemicals are found with applications such as golf ball core, printed circuit board, etc.

- (2) Polymers maintains a certain hardness in room temperature and can be softened and reshaped after heating. Thanks to its excellent physical properties, polymer is gradually replacing the easily-broken rubber and PVC that’s prohibited in phases. Some areas where this chemical is used include: pipe material, membrane, footwear materials, textile, medical devices and adhesives.

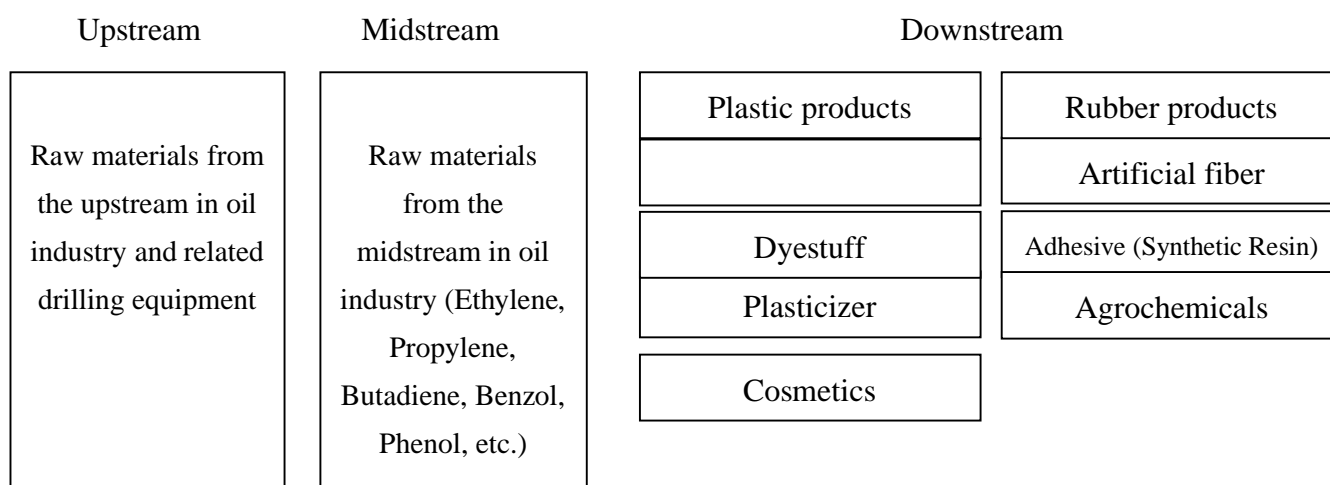
Polymer is faced with the fluctuating raw material costs and environmental protection policies as its challenges. As the upstream raw material is trending toward self-manufacturing, we can reduce our costs. Moreover, the downstream processing market gradually switched from China to Southeast Asia and other regions. Due to the competitive market and the price war on general products, the industry is shifting towards functional or customized products, as well as eco-friendly products, such as expanded elastomer. This development is beneficial to market segmentation and helps maintain profit.

- (3) Agrochemicals are particularly important as the population grows and the demand for food increases. According to statistics from the Food and Agriculture Organization of the UN, if every country around the globe fails to exercise plant protection, 60% of the crops will not be harvested, which may immediately cause global famine. Under the future development of the international division of labor and supply chain integration, the Company benefits from its deep OEM relationships with world-class manufacturers in this industry.
- (4) Other technical developments such as flame retardants used in PCB: restricted by the EU regulations, phosphorus flame retardants are relatively low in toxicity. Therefore, they will extensively replace brominated flame retardants and become the key selling item in the future.

1.2.2 Correlation with upstream, midstream, and downstream of the industry

Taiwan's petrochemical industry develops in a reverse integration manner. First, the downstream processing industry is established, and then the petrochemical processing raw materials imported from abroad form a midstream system. Finally, a naphtha cracking plant is built to supply petrochemical basic raw materials to form a complete upstream, midstream, and downstream petrochemical system.

The upstream of the petrochemical and plastic rubber industry chain includes: crude oil, naphtha, gasoline, diesel, kerosene, fuel oil, and lubricants refined from crude oil, and related mining and drilling equipment. The midstream is the basic petrochemical raw materials produced by the cracking of upstream raw materials, such as ethylene, propylene, butadiene, benzene, phenol, etc., as well as plastics, rubber, and man-made fibers made from the above raw materials through chemical reactions such as polymerization, esterification and alkylation. These materials are roughly divided into general-purpose and special-purpose chemicals according to their use. As for downstream, application varies from all kinds of daily necessities made of plastic, rubber, man-made fibers to other chemical raw materials, such as plastic products, rubber products, detergents, man-made fibers, dyes, adhesives, plasticizers, pesticides and cosmetics. The Company's main products are fine chemicals, thermoplastic elastomers and agrochemicals, which are in the mid and downstream of the industry. The correlation among upper, middle, and downstream are listed as follows:



1.2.3 Trends in product development and competition

(1) Fine chemicals – plastic additives

Trends in product development:

The major companies in the industry are BASF from Germany, SI Group from the United States, Songwon from South Korea, Adeka from Japan, Rianlon, Everspring Chemical, and Chang Chun Group from China. Although the additive market is huge, numerous manufacturers in China and India have entered the market, and international giants have continued to consolidate upstream and downstream resources through mergers and acquisitions. Additionally, the reliance on imported key raw materials makes domestic enterprises vulnerable to international situations and fluctuations in crude oil prices. In addition to competing with international giants, domestic companies also face the problem of oversupply of some general-purpose products. Therefore, developing high-tech and high-specification special efficient antioxidants is the key to maintaining better profits.

The increasing global awareness of environmental and health issues has led to related regulations that restrict plastic additives that are harmful to the environment and human health. In the future, the industry development trend will mainly focus on developing green and eco-friendly products, additives for biodegradable plastics, and additives for recycled plastic materials.

(2) Polymer products

The polymer industry has many competitors for thermoplastic polyurethane (TPU) and thermoplastic elastomers (TPE), including well-known companies such as BASF, Covestro, Huntsman, Lubrizol, and Wanhua Chemical from China. International giants have already consolidated upstream key materials such as MDI and polyol, and small and medium-sized companies do not have an advantage in raw material costs. TPU can adjust the formula to produce finished products of different specifications according to the different physical property requirements of customers. As customer demands are not the same and the technical resources of each manufacturer are also different, few companies can meet all customers' requirements alone. This results in the proliferation of small and medium-sized companies, with lower-level technical items often being oversupplied. In the future, developing high-value-added products through differentiation and customization will be necessary to avoid price competition. The current industry development trend is mainly focused on developing environmentally friendly products that are highly functional and recyclable.

(3) Agrochemicals

The demand for plant and environmental protection products is less affected by economic conditions due to the global shortage of food and the need for disease vector control. However, the long-term demand for plant and environmental protection products will gradually decrease due to the policies advocating environmental friendliness and pesticide reduction in various countries. The development of new plant protection products requires considerable technical expertise and funding. If a company wants to sell new products directly on the market, it must first obtain pesticide licenses from the pesticide regulatory authorities of each country, which can take several years to obtain. Therefore, most companies engaging in new product development and marketing are international industry leaders. Our company mainly cooperates with international industry leaders to provide professional pesticide formulation contract manufacturing services.

1.3 The Overview of Technology and R&D

1.3.1 Research and development expenses

R&D expense in 2023: NT\$47,468 thousand.

R&D expense as of 31 March 2024: NT\$11,682 thousand.

1.3.2 Successfully developed technologies and products

- (1) Organophosphorus flame retardant and method for producing the same
- (2) Novel TPU with energy dissipation function (SK701, SK70588, SK70560, SK-D70)

- (3) SKECO personal protective pad that complies with EN1621-1 impact dissipation
- (4) TW patent : THERMOPLASTIC POLYURETHANE FOAM AND IMPACT RESISTANT COMPOSITE LAMINATE COMPRISING THE SAME
- (5) TW patent : USE OF THERMOPLASTIC POLYURETHANE AND IMPACT RESISTANT COMPOSITE LAMINATE

1.4 Short-term and Long-term Business Development Plan

1.4.1 Short-term Plan

- (1) Strengthen the cooperation with international manufacturers and increase the market share.
- (2) Develop and promote new products: Crosslinking agent (339G), PP clarifier (K21), TPU yarn, TPV flame retardants, Polymer footwear materials, hair dye, Chlorinated PP.
- (3) Be certified by the brand dealers on Expanded Elastomer footwear materials
- (4) Develop secondary supplier to reduce the risk of raw materials shortage
- (5) Optimize the MIC manufacturing process
- (6) Promotion of automation processes in labor-intensive production lines

1.4.2 Long-term Plan

- (1) Key trends and strategies on industrial transformation
Under such shortcomings as strict environmental regulations, limited natural resources, and increasing environmental costs, high-emission industries gradually lost their positions in the competitive market. To successfully navigate this changing landscape, chemical industry will need to develop toward low-pollution and high-economies-of-scale orientation.
- (2) Research and development and technical services
 - a. Self-develop and form patent applications
 - b. Provide technical services to meet customer demands
 - c. Assist customers in developing customized products and grab the preemptive opportunities in the market
- (3) Diversification Strategies
Well utilize the Company's know-hows in chemicals and manufacturing products. For instance:
 - a. Produce personal sanitization products (special cosmetics) using cGMP qualifications from Chuansing Factory
 - b. Given the recyclable character of polymer (TPE/TPU), develop footwear using 100% polymer then recycle and reuse
 - c. Seek out businesses that are chemical-related and supported by the government
- (4) "Save Energy, Save Earth"
In response to the "Save Energy, Save Earth" campaign, our future manufacturing process design will take action to promote energy saving, decarbonization, recycle and reuse, and to exploit the decarbonization technology.

2 Market and Sales Overview

2.1 Market Analysis

2.1.1 Sales region of Main Products

Unit: NT\$ (in thousands)

Region		Year		For the years ended 31 December			
				2022		2023	
		Amount	%	Amount	%		
Domestic sales		2,046,110	68.01	1,447,821	66.24		
Export	The U.S.	205,512	6.83	254,526	11.64		
	Asia	327,656	10.89	198,431	9.08		
	Europe	252,613	8.40	138,110	6.32		
	Other countries	176,663	5.87	146,783	6.72		
	Subtotal	962,444	31.99	737,850	33.76		
Total		3,008,554	100.00	2,185,671	100.00		

2.1.2 Market supply and demand and market growth in the future

Items	Description
Fine chemicals	1. Specialty chemicals are influenced by the petrochemical industry and global economic trends. The widespread distribution of COVID-19 vaccines and the gradual return to normal consumption have led to an increase in demand for specialty chemicals. In addition, the conflict between Russia and Ukraine has led to higher energy prices and inflation, which has also driven up specialty chemical prices. According to the Petrochemical and Specialty Chemicals Yearbook, it is estimated that specialty chemicals will experience a stable growth of 3% in the future.
Polymer Products	TPU and TPV products have a wide range of applications and are closely related to people's livelihood and industry. They are widely used in pipe, film, footwear, textile, medical, adhesive and other fields. In recent years, due to the rising environmental awareness and the fact that polymer products can be melted and recycled, do not release harmful substances, and have natural degradation characteristics, the overall market demand is expected to steadily grow.
Agrochemicals	Due to the global trend of reducing pesticide uses, and the small domestic market size for pesticides, Sunko mainly cooperates with foreign companies to produce various pesticide raw materials through strategic partnerships for export. We also maintain a small-scale production of pesticide raw materials to meet the demand of the domestic market.

2.1.3 Sales Volume Forecast and Related Information

For additional details, please refer to Page 3.

2.1.4 Competitive niches, favorable and unfavorable factors for long-term growth and countermeasures

(a) Competitive niches and favorable factors

- ① Varied product specifications are conducive to risk diversification and broaden the market.
- ② Considering cost reduction, major foreign manufacturers seek out OEM factories with high productivity. The Company has abundant experiences in chemicals synthesis and leads an excellent R&D team. We keep improving and optimizing our manufacturing process to make our products more competitive in the market. Moreover, our R&D team is able to provide what the international manufacturers need.
- ③ Master the high-quality and highly-effective formulation, set up our technical threshold to customize our products and meet our clients' needs.
- ④ As for the polymer applications in the market, we keep developing light-weight and high-rebound products such as expanded polymer composite. The increasing demand, advanced production techniques, and our marketing strategies help increasing our market share.
- ⑤ Agricultural development relies on agrochemicals to ensure the amount harvested. The Company has experience and know-hows on agrochemicals manufacturing.

(b) Unfavorable factors and Countermeasures

- ① Affected by the global economy, the amount and price of raw materials that rely heavily on importing is not easy to control.
Countermeasures: Develop secondary supplier to reduce the risk. Also, the sales and procurement departments need to maintain close communication to ensure stable raw material costs.
- ② The price rivalry to gain customer preference among entities at the same level/
Horizontal competition in price
Countermeasures: Maintain the high quality of products to avoid price wars with inferior products; Strengthen the cooperative relationship with major international manufacturers; Optimize processes to save energy, reduce waste, and lower costs, and develop new products or derivatives.
- ③ High competition of polymer material is a problem that needs to be overcome.
Countermeasures: Develop patents on manufacturing process and applications; Develop unique materials; Cooperate with downstream customers to develop various customized products to increase customer loyalty.
- ④ Both domestic and foreign regulations on environmental protection are becoming stricter.
Countermeasures: Research new methods of waste treatment to reduce waste treatment costs and methods for waste recycling.

2.2 Important Applications and Manufacturing Processes of Main Products

2.2.1 Important Applications of Major Products

Items	Description
Fine chemicals	<p>(1) Antioxidants: The specifications of the antioxidant produced by the Company are mainly used in various plastic products, which can slow down the oxidation of plastic products. The antioxidants are widely used in areas such as: polyolefins (such as polyethylene, polypropylene) and olefin copolymers, polycarbonate, PS resin, PVC, engineering plastics, rubber and petroleum products, ABS resin and other polymer materials. It can also be used in adhesives, natural or synthetic adhesive resins.</p> <p>(2) Flame Retardant: It is mainly used in CCL and PCB as a means of improving the heat resistance and flame retardancy of the boards. Due to the restrictions imposed by EU regulations, substrate materials must be halogen-free and have improved heat resistance and stability to meet process requirements. These products have low toxicity, good processability, and good compatibility with resins.</p> <p>(3) Electronic Chemicals: It is used as a reducing agent for printed circuit boards.</p> <p>(4) Nucleating Agent: Mainly added to PP to enhance its transparency and rigidity, and its end products are used in food containers and packaging films.</p>
Polymer Products	<p>TPUs and TPVs are high-performance elastomer. Due to the rising awareness of global environmental protection, PVC has been gradually banned in the European and American market. Instead, polymer becomes the substitute for PVC. Polymer has characteristics of wear resistance, with high mechanical strength and durability, tensile property, excellent performance against repetitive stress and decent cold resistance. Some areas where this chemical is used include: footwear material market, sporting goods market, medical devices, conveyor belt material, pipe material, roller material, fiber, and membrane.</p> <p>Primer: used in synthetic leather of PVC and PU series for surface treatment purposes.</p> <p>Crosslinker: For synthetic leather lamination application. The physical property of PU resin is used in application of additives and coatings.</p> <p>Polycoat: Synthetic leather of coating materials for manufacturing purses, leather shoes, furniture, and clothes.</p>
Agrochemicals	<p>The products are non-hormonal and contact herbicides. This quick-active chemical behaves inactivated in the soil and affects insignificantly to the roots of crops. Herbicides include Lannate and Furadan, etc. They're mainly used to deal with pests such as nephotettix cincticeps uhler, nilaparvata lugens, sorghum aphid, corn leaf aphid, etc.</p>

2.2.2 Manufacturing Process of main products

(1) Fine chemicals

Antioxidants:

Raw Material → Reaction → Neutralization → Crystallization → Filtration → Dry → End Product

Flame Retardant:

Raw Material → Reaction → Filtration → Dry → End Product

Electronic Chemicals:

Raw Material → Reaction → Filtration → Washing → Curing → End Product

Nucleating Agent:

Raw Material → Reaction → Purification → Filtration → Dry → End Product

(2) Polymer Products

Thermoplastic Elastomers (TPU)

Raw Material → Polymerization → Pelletization → Ripening → End Product

Thermoplastic Elastomers (TPV)

Raw Material → Synthesis → Dry → Extrusion → End Product

(3) Agrochemicals

Raw Material → Reaction → Crystallization → Filtration → Dry → End Product

(4) Other Products

Crosslinking Agent:

Raw Material → Reaction → Titration → End Product

Primer:

Raw Material → Stir and heat → Reaction → Grinding → Filtration → End Product

Polycoat:

Raw Material → Stir and heat → Prepolymerization → Polymerization → Viscosity adjustment → End Product

2.2.3 Supply Status of Main Materials

- a. Adipic acid (AA): Mainly purchased from Japan, South Korea, and China.
- b. Toluene (TOL): 100% purchased from dealers.
- c. Dimethylformamide (DMF): 100% purchased from dealers.
- d. Methyl Ethyl Ketone (MEK): 100% purchased from dealers.
- e. Butylene glycol (1.4 BG): 100% domestically purchased.
- f. Ethylene Glycol (EG): 100% purchased from traders.
- g. Isocyanate (MDI): Mainly purchased from Japan, South Korea, and China.
- h. Phosphorus trichloride: Mainly purchased from Europe and India.
- i. 2,4 di-tert-butyl phenol: 100% domestically purchased.
- j. Potassium borohydride (KBH): 100% purchased from China.
- k. 3,4-Dimethylbenzaldehyde (3.4DMBA): 90% purchased from China.

2.2.4 Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes (if applicable):

(1) List of major customers

Unit: NT\$ (in thousands)

		For the years ended 31 December							2024, as of the end of previous quarter			
		2022			2023							
Item	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer	Name	Amount	As a percentage of net sales (%)	Relationship with issuer
1	Client A	412,184	13.70	None	Client A	179,256	8.20	None	Client A	13,303	2.46	None
2	Client B	169,758	5.64	None	Client B	176,208	8.06	None	Client B	59,539	11.02	None
	Others	2,426,612	80.66	-	Others	1,830,207	83.74	-	Others	467,441	86.52	-
	Net sales	3,008,554	100.00	-	Net sales	2,185,671	100.00	-	Net sales	540,283	100.00	-

Reasons for changes:

Client A is due to overall market demand contraction and intense international competition in the industry. Therefore, our sales to Client A decreased.

Client B is due to an increase in demand. Therefore, our sales to Client A increased.

2. List of major suppliers

Unit: NT\$ (in thousands)

Item	2022				2023				2024, as of the end of previous quarter			
	Name	Amount	As a percentage of net purchase (%)	Relationship with issuer	Name	Amount	As a percentage of net purchase (%)	Relationship with issuer	Name	Amount	As a percentage of net purchase (%)	Relationship with issuer
1	10243	383,068	20.08	None	10243	193,228	18.60	None	10243	31,255	11.80	None
2	10012	116,212	6.09	None	10012	39,701	3.82	None	10012	43,248	16.33	None
	Others	1,408,482	73.83	-	Others	805,877	77.58		Others	190,262	71.87	-
	Net purchase	1,907,762	100.00	-	Net purchase	1,038,806	100.00	-	Net purchase	264,765	100.00	-

Reasons for changes:

Decreased demand in sales resulted in reduced procurement of materials for production, leading to a relative decrease in purchases from Supplier 10243 compared to 2022.

Increased product demand in the first quarter of 2024 resulted in changes in procurement quantities, leading to a relative increase in purchases from Supplier 10012 compared to 2023.

2.2.5 The Production Volume and Value for the recent two years

Unit: Ton/NT\$ thousands

Volume Primary Product	Year	As of 31 December					
		2022			2023		
		Production capacity	Yield	Output value	Production capacity	Yield	Output value
Fine chemicals		14,233	16,591	2,261,642	13,107	8,274	1,434,755
Agrochemicals		282	623	291,585	312	444	222,609
TPU		3,626	1,838	220,756	3,714	1,590	166,969
Resin		1,361	1,557	134,776	1,383	961	86,430
Others		-	2,228	12,570	-	3,853	35,291
Total		19,502	22,837	2,921,329	18,516	15,122	1,946,054

2.2.6 Sales Volume and Value for the Recent Two Years

Unit: Ton/NT\$ thousands

Primary Product \ Year	As of 31 December							
	2022				2023			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Fine chemicals	8,756	1,620,682	3,004	614,353	6,214	1,059,158	2,579	539,589
Agrochemicals	171	86,790	481	301,953	277	145,398	276	180,830
TPU	2,238	246,399	105	13,608	1,499	168,359	102	11,985
Resin	972	79,929	490	32,530	884	64,672	94	5,446
Others	5,736	12,310	-	-	3,851	10,234	-	-
Total	17,873	2,046,110	4,080	962,444	12,725	1,447,821	3,051	737,850

3. Employee Information

Of recent two years as of the publication date of this Annual Report, number of employee, average years of service, average age and education distribution ratio.

7 May 2024

Year		2021	2022	Current fiscal year up to 7 May 2024
Number of employees	Direct labor	224	219	220
	Indirect labor	173	174	172
	R&D personnel	31	29	29
	Management and Administrative staff	72	66	65
	Total	500	488	486
Average age		41.33	42.29	42.71
Average years of service		10.17	11.03	11.21
Education distribution ratio	Ph.D.	1.4%	7	8
	Masters	6%	25	25
	Bachelor's degree	53.2%	263	255
	Senior high school	31%	151	156
	Below senior high school	8.4%	42	42

4. Expenditures on Environmental Protection

4.1 For the loss suffered in the most recent year and up to the publication date of this Annual Report due to environmental pollution incidents (including any compensation occurred and any violations of environmental protection regulations found under inspection, specify the disposition dates, disposition reference numbers, the articles and content of regulation violated, and the content of dispositions):

(1)9 February 2023 (Zhong-Shi-Huan-Ji-Zi No.1120008372): Violation of Article 20, Paragraph 1 of the Air Pollution Control Act, as the emissions of odor pollutants from the chimney did not comply with the air pollutant emission standards for fixed pollution sources, resulting in a fine of NT\$480,000 and 2 hours of environmental training.

(2) 30 May 2023 (Zhong-Shi-Huan-Ji-Zi No. 1120057187): Violation of Article 24, Paragraphs 2 and 4 of the Air Pollution Control Act, as well as Article 23, Paragraph 1 of the Regulations Governing the Installation, Operation, and Fuel Use Permits of Fixed Pollution Sources: the flow rate of the washing solution from the wastewater treatment plant's scrubber did not meet the approved operating standards, resulting in a fine of NT\$100,000 and 2 hours of environmental training.

(3) 20 September 2023 (Fu-Huan-Ji-Zi No. 1120255875): Violation of Article 7, Paragraph 7 of the Water Pollution Control Act and Article 2 of the Effluent Standards: both the chemical and biochemical oxygen demands in the discharged wastewater did not meet the effluent standards, resulting in a fine of NT\$1,848,000 and 2 hours of environmental training.

(4) 8 November 2023 (Zhong-Shi-Huan-Kong-Zi No. 1120129170): Violation of Article 23, Paragraph 1 of the Air Pollution Control Act, as the malfunction of the oil spray solenoid valve in the fuel-fired boiler led to incomplete combustion and abnormal emission of black smoke, resulting in a fine of NT\$150,000 and 2 hours of environmental training.

4.2 The estimated amounts and corresponding measures for current and future events, and where it is not reasonably estimable, the explanation of the fact that it cannot be reasonably estimated, are as follows:

(1) Improve control equipment, replace equipment components, and clean the circulation pump of the scrubber.

(2) Assign personnel to monitor the operation status after the boiler starts up and strengthen inspections during operation.

(3) To prevent inadvertent opening of the pipe raft, modification work on the waste liquid pipeline has been completed, and the sludge settling tank and discharge water tank have been cleaned and replaced regularly.

(4) The expenses for improving control engineering and changing pipelines are approximately NT\$150,000.

5. Labor relations

5.1 The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor agreements and measures for preserving employee rights

Items	Implementations
Employee Benefits Measures	Annual health checks, injury and emergency assistance, children's education scholarships, wedding and funeral subsidies, pregnancy subsidies, festival benefits, birthday cash gifts, staff travel activities; parental leave and paternity leave handled in accordance with the Act Of Gender Equality In Employment.
Personnel Service	New Year's allowance and cash gift.
Emergency Relief and Subsidies	The employee's incident, financial aid approved by the welfare committee, weddings and funerals subsidies, injury and sickness subsidies, employee maternity subsidies.
Training and	In addition to new employees' training, employees are selected from time to time to

Items	Implementations
Continuing education	participate in training, and advance study. Hours of 2023 internal training: 3756.5 hours. Hours of 2023 external training: 305 hours.
Educational Scholarships	Labor education and scholarships for children.
Pension system	In order to ensure employees' livelihood after retirement, pension regulations are established in accordance with the Labor Standards Act and Labor Pension Act. Retirement reserves are allocated on a monthly basis. Also, a retirement reserve supervision committee is set up for the purpose of management, supervision and implementation.
Labor agreement	A labor-management meeting is held every quarter.
Measures to protect employee rights	Through labor-management meeting, both parties are able to communicate with each other and protect the rights and interests of employees.

5.2 Losses suffered in the most recent year and up to the publication date of this Annual Report due to labor disputes (including any violations of the Labor Standards Act found under inspection, specify the disposition dates, disposition reference numbers, the articles and content of regulation violated, and the content of dispositions): None.

5.3 Countermeasures:

If any dispute occurs between the labor and management, the representatives of both parties can fully express their opinions and communicate in a labor-management coordination meeting to find the best solution. The relationship between labor and management is harmonious, and problems can be resolved through coordination. There were no labor disputes or losses in the most recent three years. In addition to the uniform given to the production staff, the Company also offers birthday benefits, festival benefits, emergency relief and subsidies, wedding and funeral subsidies and other welfare. The Company also hold labor trainings and team-building activities to ensure employees' both mental and physical health.

6 Information Security Management

6.1 State the information security risk management structure, the information security policy, the specific management plan and the resources invested in the security management of the information communication.

In order to protect the security of all information systems and electronic data of the Company, including hardware equipment, operating software, network electronic files, record, etc., from information risk such as destruction, leakage, theft or extortion, this policy is specially formulated.

The Company shall take the following measures:

1. Comply with laws and regulations to formulate relevant information security management rules, and implement appropriate protection measures for the Company's information systems and electronic data to ensure their confidentiality, integrity and legality.

2. Evaluate the impact of various man-made and natural disasters on the Company's information system and disaster recovery plans to ensure the continuous operation of the Company's business.
3. Supervise the Company's employees to implement information security protection work, and enhance employees' awareness of information security.
4. Require employees of the Company and external parties who use or link the Company's information system to strictly abide by the Company's information security related regulations. If there is a violation, it will be handled according to the Company's relevant regulations or contract penalties. Severe cases of violation are punishable by law.

Specific management methods:

1. Firewall: (1) Firewall sets connection rules to block external attack (2) Set up internet access policies to prevent people from linking to harmful URLs.
2. Antivirus software: Use antivirus software, and automatically update the virus pattern to reduce the chance of virus infection.
3. System/file access: The operating system sets the login account, password, and classify access authorization. The password strength should comply with the security rules and be changed regularly.
4. E-mail security control: (1) Automatic email scanning threat protection (2) Set up spam filtering system.
5. Data backup mechanism: (1) Daily backups are set for important information system. (2) Database-offsite backup is set for the Company hosts and database.
6. Strain Recovery Mechanism: Regular system disaster recovery drills are conducted.

6.2 List the losses incurred due to major information security incidents in the most recent year and as of the date publication of the annual report, the possible impact and countermeasures. If it cannot be reasonably estimated, it shall be explained the reason.

In recent years, there has been no financial loss caused by information security incidents.

7. Important contracts: None

VI. FINANCIAL INFORMATION

1 Condensed Balance Sheet, Income Statement, Names of the CPAs and their audit opinions

1.1 Condensed Balance Sheet and Income Statement for the recent five years

Condensed Balance Sheet (Consolidated)

Unit: NT\$ (in thousands)

Year		Financial information for the recent five years (Note 1)					As of the first quarter of 2024 (Note 2)
		2019	2020	2021	2022	2023	
Item							
Current assets		2,073,670	2,654,855	2,030,289	2,248,202	1,887,846	1,872,537
Property, Plant, and Equipment		1,773,778	1,702,885	1,664,358	1,556,541	1,477,896	1,470,184
Intangible assets		11,164	14,914	13,846	15,117	2,049	2,016
Other assets		386,838	426,767	382,859	364,396	355,875	327,793
Total assets		4,245,450	4,799,421	4,091,352	4,184,256	3,723,666	3,672,530
Current Liabilities	Before distribution	1,056,740	1,474,762	1,066,756	1,087,393	771,943	745,187
	After distribution	1,056,740	1,566,999	1,066,756	1,105,881	771,943	745,187
Long-term liabilities		911,373	847,282	693,007	698,817	844,028	899,013
Total liabilities	Before distribution	1,968,113	2,322,044	1,759,763	1,786,210	1,615,971	1,644,200
	After distribution	1,968,113	2,414,281	1,759,763	1,804,698	1,615,971	1,644,200
Equity Attributable to the Parent company		2,272,871	2,477,198	2,331,468	2,398,046	2,107,695	2,028,330
Capital-Common Stock		2,223,473	1,889,952	1,889,952	1,848,841	1,848,841	1,848,841
Capital Surplus		37,785	37,848	41,930	42,255	42,255	42,255
Retained Earnings	Before distribution	62,953	599,874	441,577	510,316	216,041	134,965
	After distribution	62,953	507,637	441,577	491,828	216,041	134,965
Other Equity		1,428	(5,623)	(1,205)	(3,366)	558	2,269
Treasury Stock		(52,768)	(44,853)	(40,786)	-	-	-
Prior interests under joint control		-	-	-	-	-	-
Non-controlling Interest		4,466	179	121	-	-	-
Total Equity	Before distribution	2,277,337	2,477,377	2,331,589	2,398,046	2,107,695	2,028,330
	After distribution	2,277,337	2,385,140	2,331,589	2,379,558	2,107,695	2,028,330

Note 1: The financial information above have been audited and certified by the CPAs.

Note 2: The financial information above have been audited by the CPAs.

Note 3: The amount after distribution shall refer to the amount determined after the resolution in the shareholders' meeting in the following fiscal year.

Condensed Balance Sheet (Parent Only)

Unit: NT\$ (in thousands)

Year		Financial information for the recent five years (Note 1)					As of the first quarter of 2024
		2019	2020	2021	2022	2023	
Item							
Current assets		2,057,881	2,653,798	2,021,269	2,226,778	1,885,373	-
Property, Plant, and Equipment		1,773,348	1,702,853	1,664,358	1,556,541	1,477,896	-
Intangible assets		11,164	14,914	13,846	15,117	2,049	-
Other assets		398,583	427,676	386,080	381,879	357,904	-
Total assets		4,240,976	4,799,241	4,085,553	4,180,315	3,723,222	-
Current Liabilities	Before distribution	1,056,732	1,056,732	1,061,078	1,083,452	771,499	-
	After distribution	1,056,732	1,056,732	1,061,078	1,101,940	771,499	-
Long-term liabilities		911,373	847,282	693,007	698,817	844,028	-
Total liabilities	Before distribution	1,968,105	2,322,043	1,754,085	1,782,269	1,615,527	-
	After distribution	1,968,105	2,414,280	1,754,085	1,800,757	1,615,527	-
Capital-Common Stock		2,223,473	1,889,952	1,889,952	1,848,841	1,848,841	-
Capital Surplus		37,785	37,848	41,930	42,255	42,255	-
Retained Earnings	Before distribution	62,953	599,874	441,577	510,316	216,041	-
	After distribution	62,953	507,637	441,577	491,828	216,041	-
Other Equity		1,428	(5,623)	(1,205)	(3,366)	558	-
Treasury Stock		(52,768)	(44,853)	(40,786)	-	-	-
Prior interests under joint control		-	-	-	-	-	-
Non-jointly controlled equity before the merger		-	-	-	-	-	-
Total Equity	Before distribution	2,272,871	2,477,198	2,331,468	2,398,046	2,107,695	-
	After distribution	2,272,871	2,384,961	2,331,468	2,379,558	2,107,695	-

Note 1: The financial information above have been audited and certified by the CPAs.

Note 2: The amount after distribution shall refer to the amount determined after the resolution in the shareholders' meeting in the following fiscal year.

Condensed Income Statement (Consolidated)

Unit: EPS expressed in NT\$; others in NT\$ thousands

Item \ Year	Financial information for the recent five years (Note 1)					As of the first quarter of 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating Revenue	3,243,968	2,752,601	2,850,638	3,008,554	2,185,671	540,283
Gross Profit	282,137	139,355	128,104	255,748	(62,270)	(27,871)
Income (Loss) from Operation	17,323	(243,755)	(95,951)	32,562	(260,034)	(76,350)
Non-operating Income and Expenses	(26,408)	727,049	42,110	38,910	(36,116)	115
Income (loss) from continuing operation before income tax	(9,085)	483,294	(53,841)	71,472	(296,150)	(76,235)
Income Tax Benefits (Expenses)	2,208	41,012	(16,175)	(10,142)	18,183	(4,841)
Net Income (Loss) from Continuing Operations	(6,877)	524,306	(70,016)	61,330	(277,967)	(81,076)
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	(6,877)	524,306	(70,016)	61,330	(277,967)	(81,076)
Other Comprehensive Income (Loss) (after Tax)	17,643	5,466	8,316	5,248	6,104	1,711
Total Comprehensive Income (Loss)	10,766	529,772	(61,700)	66,578	(271,863)	(79,365)
Net Income Attributable to the parent company	(6,808)	524,404	(61,700)	61,330	(277,967)	(79,365)
Net Income Attributable to Non-jointly controlled equity before the merger	-	-	-	-	-	-
Net Income Attributable to Non-Controlling Interests	(69)	(98)	(58)	-	-	-
Total Comprehensive Income Attributable to stockholder of the parent	10,595	529,870	(61,642)	66,578	(271,863)	(79,365)
Total Comprehensive Income Attributable to Non-jointly controlled equity before the merger	-	-	-	-	-	-
Total Comprehensive Income Attributable to Non-Controlling Interests	171	(98)	(58)	-	-	-
Earnings per Share (NT\$) (Note 3)	(0.03)	2.43	(0.38)	0.33	(1.50)	(0.44)

Note 1: The financial information above have been audited and certified by the CPAs.

Note 2: The financial information above have been audited by the CPAs.

Note 3: Earnings per share is calculated retrospectively based on the weighted average number of shares outstanding in the current year.

Condensed Income Statement (Parent Only)

Unit: EPS expressed in NT\$; others in NT\$ thousands

Item \ Year	Financial information for the recent five years (Note 1)					As of the first quarter of 2024
	2019	2020	2021	2022	2023	
Operating Revenue	3,228,494	2,752,601	2,848,057	2,976,358	2,185,670	-
Gross Profit	280,761	139,355	125,523	223,552	(62,272)	-
Income (Loss) from Operation	17,813	(243,686)	(97,233)	13,332	(258,044)	-
Non-operating Income and Expenses	(26,829)	727,078	43,450	54,000	(37,615)	-
Income (loss) from continuing operation before income tax	(9,016)	483,392	(53,783)	67,332	(295,659)	-
Income Tax Benefits (Expenses)	2,208	41,012	(16,175)	(6,002)	17,692	-
Net Income (Loss) from Continuing Operations	(6,808)	524,404	(69,958)	61,330	(277,967)	-
Income (Loss) from Discontinued Operations	-	-	-	-	-	-
Net Income (Loss)	(6,808)	524,404	(69,958)	61,330	(277,967)	-
Other Comprehensive Income (Loss) (after Tax)	17,403	5,466	8,316	5,248	6,104	-
Total Comprehensive Income (Loss)	10,595	529,870	(61,642)	66,578	(271,863)	-
Earnings per Share (NT\$) (Note 2)	(0.03)	2.43	(0.38)	0.33	(1.50)	-

Note 1: The financial information above have been audited and certified by the CPAs.

Note 2: Earnings per share is calculated retrospectively based on the weighted average number of shares outstanding in the current year.

1.2 Names of the CPAs and their audit opinions for the recent five years

Year	Accounting Firm	Name of the CPA	Audit Opinion
2017	Ernst & Young	YEN, WEN-PI/ TU, CHIN-YUAN	Unqualified
2018	Ernst & Young	CHEN, MING-HONG/ YEN, WEN-PI	Unqualified plus other matters paragraph
2019	Ernst & Young	CHEN, MING-HONG/ YEN, WEN-PI	Unqualified plus other matters paragraph
2020	Ernst & Young	TU, CHIN-YUAN/ YEN, WEN-PI	Unqualified
2021	Ernst & Young	TU, CHIN-YUAN/ YEN, WEN-PI	Unqualified
2022	Ernst & Young	CHEN, MING-HONG / YEN, WEN-PI	Unqualified
2023	Ernst & Young	CHEN, MING-HONG, HUANG, TZU-PING	Unqualified

2 Financial analysis for the recent five years

2.1 Financial analysis (Consolidated)

Item		Year	Financial analysis for the recent five years (Note 1)					As of the first quarter of 2024 (Note 2)
			2019	2020	2021	2022	2023	
Financial Structure	Debt to Assets Ratio (%)		46.36	48.38	43.01	42.69	43.40	44.47
	Long-Term Capital to Property, Plant and Equipment Ratio (%)		179.77	195.24	181.73	198.96	199.72	199.11
Liquidity	Current Ratio (%)		196.23	180.02	190.32	206.75	244.56	251.28
	Quick Ratio (%)		113.04	128.73	108.34	103.32	123.77	138.27
	Interest Coverage		0.54	30.92	(3.40)	5.17	(15.76)	(10.02)
Operating Performance	Accounts Receivable Turnover (times)		4.86	4.63	4.25	4.43	4.35	5.11
	Average Collection Days		75	79	86	82	84	71
	Inventory Turnover (times)		3.41	3.07	3.20	2.66	2.06	2.36
	Accounts Payable Turnover (times)		8.87	8.47	8.70	8.79	9.32	12.30
	Average Inventory Turnover Days		107	119	114	137	177	155
	Property, Plant and Equipment Turnover (times)		1.86	1.58	1.69	1.87	1.44	1.47
	Total Assets Turnover (times)		0.78	0.61	0.64	0.73	0.55	0.58
Profitability	ROA (%)		0.21	11.88	(1.35)	1.81	(6.62)	(8.17)
	ROE (%)		(0.30)	22.05	(2.91)	2.59	(12.34)	(15.68)
	Ratio of Pre-tax Profit to Paid-in Capital (%)		(0.41)	25.57	(2.85)	3.87	(16.02)	(16.49)
	Net Margin (%)		(0.21)	19.05	(2.46)	2.04	(12.72)	(15.01)
	Earnings per Share (NT\$) (Note 3)		(0.03)	2.43	(0.38)	0.33	(1.50)	(0.44)
Cash Flow	Cash Flow Ratio (%)		20.69	16.92	(13.90)	27.05	15.51	25.53
	Cash Flow Adequacy (%)		117.52	116.57	37.83	48.58	61.41	72.23
	Cash Flow Reinvestment Ratio (%)		4.27	4.62	(4.62)	5.37	1.82	0.85
Leverage	Operating Leverage		15.54	(0.11)	(1.84)	9.12	(0.01)	0.18
	Financial Leverage		(7.80)	(0.94)	0.89	2.11	(0.93)	0.92

The reasons for changes in financial ratios above 20% over the past two years:

1. The increase in interest coverage was mainly due to the decrease in net loss before tax.
2. Decrease in operating performance ratios: Primarily attributed to the rapid slowdown in market demand in 2023, leading to a deceleration in inventory turnover and a significant decline in overall operating income..
3. The increase in each profitability ratio was mainly due to the decrease in net loss after tax
4. Decrease in cash flow ratio: Resulting from a decrease in net cash flow from operating activities in the current period.
5. Increase in cash flow adequacy ratio: Due to a comparatively lower cumulative capital expenditure and inventory increase over the past five years.
6. Decrease in cash flow reinvestment ratio: Stemming from a reduction in net cash flow from operating activities in the current period.
7. Decrease in operating leverage: Mainly due to the operating net loss in the current period.
8. Decrease in financial leverage: Mainly due to the operating net loss in the current period.

Note 1: The financial information above have been audited and certified by the CPAs.

Note 2: The financial information above have been audited by the CPAs.

Note 3: Earnings per share was calculated retrospectively based on the weighted average number of shares outstanding in the current year.

2.2 Financial analysis (Parent Only)

Item		Year	Financial analysis for the recent five years (Note 1)					As of the first quarter of 2024
			2019	2020	2021	2022	2023	
Financial Structure	Debt to Assets Ratio (%)	46.41	48.38	42.93	42.63	43.40	-	
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	179.56	195.24	181.72	198.96	199.72	-	
Liquidity	Current Ratio (%)	194.74	179.95	190.49	205.53	244.38	-	
	Quick Ratio (%)	111.58	128.68	108.12	101.76	123.57	-	
	Interest Coverage	0.54	90.93	(3.39)	4.93	(15.74)	-	
Operating Performance	Accounts Receivable Turnover (times)	4.84	4.63	4.21	4.35	4.27	-	
	Average Collection Days	75	79	87	84	85	-	
	Inventory Turnover (times)	3.39	3.07	3.20	2.66	2.06	-	
	Accounts Payable Turnover (times)	8.82	8.47	8.70	8.79	9.32	-	
	Average Inventory Turnover Days	108	119	114	137	177	-	
	Property, Plant and Equipment Turnover (times)	1.85	1.58	1.69	1.85	1.44	-	
	Total Assets Turnover (times)	0.77	0.61	0.64	0.72	0.55	-	
Profitability	ROA (%)	0.21	11.89	(1.35)	1.82	(6.63)	-	
	ROE (%)	(0.30)	22.08	(2.91)	2.59	(12.34)	-	
	Ratio of Pre-tax Profit to Paid-in Capital (%)	(0.41)	25.58	(2.85)	3.64	(15.99)	-	
	Net Margin (%)	(0.21)	19.05	(2.46)	2.06	(12.72)	-	
	Earnings per Share (NT\$) (Note 2)	(0.03)	2.43	(0.38)	0.33	(1.50)	-	
Cash Flow	Cash Flow Ratio (%)	20.64	16.92	(15.69)	26.91	14.12	-	
	Cash Flow Adequacy (%)	118.72	117.33	37.57	47.68	58.72	-	
	Cash Flow Reinvestment Ratio (%)	4.27	4.62	(4.97)	5.32	1.63	-	
Leverage	Operating Leverage	15.11	(0.10)	(1.80)	20.84	(0.01)	-	
	Financial Leverage	(10.28)	(0.94)	0.89	(3.51)	(0.93)	-	

The reasons for changes in financial ratios above 20% over the past two years:

1. The decrease in interest coverage was mainly due to the in net loss before tax.
2. Decrease in financial performance ratios: Primarily attributed to the rapid slowdown in market demand in the fiscal year 2023, leading to a deceleration in inventory turnover and a significant decline in overall operating income.
3. The decrease in each profitability ratio was mainly due to the in net loss after tax.
4. Decrease in cash flow ratio: Resulting from a decrease in net cash flow from operating activities in the current period.
5. Increase in cash flow adequacy ratio: Due to a comparatively lower cumulative capital expenditure and inventory increase over the past five years.
6. Decrease in cash flow reinvestment ratio: Stemming from a reduction in net cash flow from operating activities in the current period.
7. Decrease in operating leverage: Mainly due to the operating net loss in the current period.
8. Decrease in financial leverage: Mainly due to the operating net loss in the current period.

Note I. The formulas are as follows:

2.2.1.1 Financial Structure

5.6.1 Debt to Assets Ratio = total liabilities / total assets

5.6.2 Long-term Capital to Property, Plant and Equipment Ratio = (total shareholders' equity + non-current liabilities) / net property, plant and equipment

2.2.1.2 Liquidity

(1) Current Ratio = current assets / current liabilities

(2) Quick Ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest Coverage = earnings before interest and taxes / interest expenses

2.2.1.3 Operating Performance

(1) Accounts Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average collection days = 365 / receivables turnover ratio

(3) Inventory turnover rate = cost of goods sold / average inventory

(4) Accounts Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).

(5) Average inventory turnover days = 365 / inventory turnover rate.

(6) Property, Plant and Equipment turnover rate = net sales / average net property, plant and equipment

(7) Total asset turnover rate = net sales / average total assets.

2.2.1.4 Profitability

(1) Return on Assets = [after-tax net income + interest expense × (1 – effective tax rate)] / average total assets

(2) Return on Equity = after-tax net income / average equity

(3) Net Margin = after-tax net income / net sales

(4) Earnings per Share = (net income attributable to the parent company – preferred stock dividends) / weighted average number of shares outstanding (Note II)

2.2.1.5 Cash Flow

(1) Cash Flow Ratio = net cash flows from operating activities / current liabilities

(2) Cash Flow Adequacy Ratio = net cash flows from operating activities for the recent five years/ sum of (capital expenditures+ increase in inventory + cash dividends) of the recent five years.

(3) Cash Flow Reinvestment Ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital) (Note III)

2.2.1.6 Leverage

(1) Operating Leverage = (net operating revenue – variable operating costs and expenses) / operating profit. (Note IV)

(2) Financial Leverage = operating profit / (operating profit – interest expenses)

Note II. When calculating the Earnings Per Share, the following matters shall be noted:

1. Based on the weighted average outstanding shares, not the outstanding shares at year-end.
2. Under circumstances of capital increase by cash or transactions of treasury stock, the outstanding period shall be taken into consideration while calculating the weighted average outstanding shares.
3. Under circumstances of capital increase by retained earnings or capital increase by capital surplus, the annual and semi-annual EPS shall be adjusted retrospectively based on the ratio of increased capital. The outstanding period is not included.
4. If the preferred stocks are non-convertible and cumulative, the dividends (whether distributed or not) shall be deducted from the after-tax net income or added to the after-tax net loss. If the preferred stocks are non-cumulative, the dividends shall be deducted from the after-tax net income if applicable; no adjustment needed if net losses occur.

Note III. When analyzing cash flow, the following matters shall be noted:

1. Net cash flows from operating activities is the amount of cash inflows from operating activities on the Statement of Cash Flows.
2. Capital expenditure is the amount of cash outflows from annual capital investment.
3. State the increase in inventory only when the ending inventory is greater than the beginning inventory. If the ending inventory decreases, take 0 into calculation.
4. Cash dividends include dividends from common stocks and preferred stocks.
5. Gross property, plant and equipment shall refer to the total amount of property, plant, and equipment prior to the deduction of accumulated depreciation.

Note IV. The issuer shall classify both operating costs and expenses as fixed and variable. If estimation or subjective judgements take place, one shall be aware of the reasonableness and consistency.

Note V. When the stock has no par value or the par value is less than NT\$10, the aforementioned ratios to paid-in capital shall be calculated based on the equity attributable to the parent company on the Balance Sheet.

SUNKO INK CO., LTD.
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Consolidated and Parent Only Financial Statements, and proposal of Earnings Appropriation. Both the Consolidated and Parent Only Financial Statements were audited and issued with an audit report by CPA CHEN, MING-HUNG and CPA YEN, WEN-PI from Ernst & Young, Taiwan. The Audit Committee had concluded the aforementioned Business Report, Financial Statements and proposal of Earnings Appropriation complied with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. We hereby submit this report for your review.

Regards,
2024 General Shareholders' Meeting

SUNKO INK CO., LTD
Convener of the Audit Committee: TSOU, YEN-CHUNG
5 March 2024

4 Consolidated Financial Statements of the Most Recent Year with Independent Auditors' Report with Independent Auditors' Report

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To SUNKO INK CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of SUNKO INK CO., LTD. and its subsidiaries (the "Group") as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of accounts receivable

As of 31 December 2023, the Group's and its subsidiaries' gross accounts receivable and allowance for loss amounted to \$410,129 and \$1,170 respectively. Net notes and accounts receivable accounted for 11% of consolidated total assets which was material to the Group. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Group, and the adoption of provision policy requires significant management judgement, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of allowance for loss policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; investigating accounts receivable details, recalculating the reasonableness of allowance for loss based on the expected credit groups, and based on the expected loss rate by management assessment, reevaluating the reasonableness of loss provisioning of accounts receivable. We also assessed the adequacy of disclosures related to accounts receivable. Please refer to Notes 5 and 6 of the consolidated financial statements.

Inventory valuation

As of 31 December 2023, the Group's net inventories amounted to \$879,655 accounting for 23% of the total consolidated assets. The estimation of allowance for inventory valuation loss and obsolescence loss was based on inventories of the raw materials and finished goods. The estimation basis of inventory valuation based on the effect of products physical characteristic on quality, and the demand of products within a particular period in the future, the allowance for inventory valuation loss and obsolescence loss could be affected by management judgement. We therefore determined this a key audit matter.

Our audit procedures included, but were not limited to: assessing the effectiveness of obsolescence inventory internal control and the inventory valuation policy established by management, assessing stocktaking plan and selecting important storage locations to observe inventory counts to ensure quantities and status; obtaining inventory aging intervals to test whether the aging reports were reasonable; testing the unit cost and selling prices of inventories, sampled related certificates of purchases and sales to access the reasonableness of the net realizable value of inventories.

We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Group.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

/s/Chen, Ming Hung

/s/Huang, Tzu Ping

Ernst & Young, Taiwan

5 March 2024

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2023	2022
Current assets			
Cash and cash equivalents	4,6(1)	\$517,747	\$453,978
Financial assets measured at amortized cost - current	4,6(2)	2,000	100,000
Notes receivable, net	4,6(13)	25,495	17,653
Accounts receivable, net	4,6(3)&(13)	408,419	550,864
Inventories, net	4,6(4)	879,655	1,062,167
Prepayments		52,726	62,505
Other current assets	12	1,804	1,035
Total current assets		1,887,846	2,248,202
Non-current assets			
Financial assets at fair value through other comprehensive income -non-current	4,13	98,719	95,066
Financial assets measured at amortized cost - non-current	4,6(2)&8	2,800	2,800
Investments accounted for under the equity method	4,6(5)	-	6,455
Property, plant and equipment	4,6(6)&8	1,477,896	1,556,541
Right-of-use assets	4,6(14)&7	93,501	94,730
Intangible assets	4	2,049	15,117
Deferred tax assets	4,6(18)	81,169	77,300
Prepayment for equipment		61,972	60,584
Net defined benefit, non-current	4,6(10)	1,648	-
Other non-current assets	4	16,066	27,461
Total non-current assets		1,835,820	1,936,054
Total Assets		\$3,723,666	\$4,184,256

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2023	2022
Current liabilities			
Short-term loans	4,6(7)	\$162,912	\$298,991
Contract liabilities, current	4,6(12)	25,305	81,489
Notes payable		226	281
Accounts payable		184,919	297,186
Other payables	6(8)	168,909	176,227
Current tax liabilities	4	-	11,518
Lease liabilities, current	4,6(14)&7	33,539	28,948
Current portion of long-term loans	4,6(9)	195,927	191,470
Other current liabilities	12,13	206	1,283
Total current liabilities		771,943	1,087,393
Non-current liabilities			
Long-term loans	4,6(9)	712,655	555,448
Deferred tax liabilities	4,6(18)	72,514	74,746
Lease liabilities, non-current	4,6(14)&7	58,859	64,453
Net defined benefit obligation, non-current	4,6(10)	-	4,170
Total non-current liabilities		844,028	698,817
Total liabilities		1,615,971	1,786,210
Equity attributable to the parent company			
Capital			
Common stock	6(11)	1,848,841	1,848,841
Additional paid-in capital	6(11)	42,255	42,255
Retained earnings	6(11)		
Legal reserve		86,893	80,019
Special reserve		3,366	1,205
Unappropriated earnings		125,782	429,092
Subtotal		216,041	510,316
Other components of equity		558	(3,366)
Treasury stock		-	-
Total equity attributable to the parent company		2,107,695	2,398,046
Non-controlling interests	6(11)	-	-
Total equity		2,107,695	2,398,046
Total Liabilities and Equity		\$3,723,666	\$4,184,256

(The accompanying notes form an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2023	2022
Operating revenues	4,6(12)&7	\$2,185,671	\$3,008,554
Operating costs	6(15)	(2,247,941)	(2,752,806)
Gross profit		(62,270)	255,748
Operating expenses	6(15)		
Selling and marketing expense		(59,332)	(79,042)
General and administrative expense		(90,789)	(97,345)
Research and development expense		(47,468)	(49,847)
Expected credit (loss) gain	6(13)	(175)	3,048
Total operating expenses		(197,764)	(223,186)
Operating (loss) income		(260,034)	32,562
Non-operating income and expenses	6(16),7		
Interest revenue		3,069	1,296
Other income		9,692	13,043
Other gains and loss		(28,764)	47,464
Finance costs		(20,063)	(17,130)
Share of profit or loss of associates and joint ventures	4,6(5)	(50)	(5,763)
Total non-operating income and expenses		(36,116)	38,910
(Loss) income from continuing operations before income tax		(296,150)	71,472
Income tax benefit (expense)	4,6(18)	18,183	(10,142)
Net (loss) income		(277,967)	61,330
Other comprehensive income	6(17)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		2,591	9,261
Unrealized gains or loss from equity instruments investments measured at fair value through other comprehensive income		3,653	(2,893)
Income tax relating to items that will not be reclassified subsequently		(411)	(1,852)
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income (loss) of associates and joint ventures which may be reclassified subsequently to profit or loss		473	915
Income tax relating to items that may be reclassified subsequently		(202)	(183)
Total other comprehensive income, net of tax		6,104	5,248
Total comprehensive (loss) income		<u>\$(271,863)</u>	<u>\$66,578</u>
Net (loss) income attributable to:			
Stockholders of the parent	4,6(19)	\$(277,967)	\$61,330
Non-controlling interests		-	-
		<u>\$(277,967)</u>	<u>\$61,330</u>
Comprehensive (loss) income attributable to:			
Stockholder of the parent		\$(271,863)	\$66,578
Non-controlling interests		-	-
		<u>\$(271,863)</u>	<u>\$66,578</u>
Earnings (loss) per share (NT dollars)	4,6(19)		
(Loss) Earnings per share-basic		\$(1.50)	\$0.33
(Loss) Earnings per share-diluted		\$(1.50)	\$0.33

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to the Parent Company										
		Retained Earnings					Other components of Equity					
		Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury stock	Total	Non-Controlling Interests	Total Equity
	6(11)	\$1,889,932	\$41,930	\$80,019	\$5,624	\$355,934	\$(1,003)	\$(202)	\$(40,786)	\$2,331,468	\$121	\$2,331,589
Appropriation and distribution of 2021 retained earnings												
Reversal of special reserve					(4,419)	4,419				-	-	-
Net income for the year ended 31 December 2023						61,330				61,330	-	61,330
Other comprehensive income (loss), net of tax for the year ended 31 December, 2022	6(17)					7,409	732	(2,893)		5,248	-	5,248
Total comprehensive income (loss)		-	-	-	-	68,739	732	(2,893)	-	66,578	-	66,578
Written off treasury shares		(41,111)	325						40,786	-	-	-
Changes in equity in subsidiaries										-	(121)	(121)
Balance as of 31 December 2022		\$1,848,841	\$42,255	\$80,019	\$1,205	\$429,092	\$(271)	\$(3,095)	\$-	\$2,398,046	\$-	\$2,398,046
Balance as of 1 January 2023	6(11)	\$1,848,841	\$42,255	\$80,019	\$1,205	\$429,092	\$(271)	\$(3,095)	\$-	\$2,398,046	\$-	\$2,398,046
Appropriation and distribution of 2022 retained earnings												
Legal reserve	6(11)			6,874		(6,874)				-		-
Special reserve					2,161	(2,161)				-		-
Common stock cash dividend						(18,488)				(18,488)		(18,488)
Net loss for the year ended 31 December 2023						(277,967)				(277,967)	-	(277,967)
Other comprehensive income (loss), net of tax for the year ended 31 December 2023	6(17)					2,180	271	3,653		6,104	-	6,104
Total comprehensive income (loss)		-	-	-	-	(275,787)	271	3,653	-	(290,351)	-	(271,863)
Balance as of 31 December 2023		\$1,848,841	\$42,255	\$86,893	\$3,366	\$125,782	\$-	\$558	\$-	\$2,107,695	\$-	\$2,107,695

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December			For the years ended 31 December	
	2023	2022		2023	2022
Cash flows from operating activities:			Cash flows from investing activities:		
Net (loss) income before tax	\$(296,150)	\$71,472	Acquisition of financial assets measured at amortized cost	(2,000)	(100,000)
Adjustments to reconcile net income (loss) before tax to net cash provided by operating			Proceeds from disposal of financial assets measured at amortized cost	100,000	-
Depreciation (include record other gains and loss)	253,212	258,979	Proceeds from investments accounted for using equity method	1,715	-
Amortisation (include record other gains and loss)	8,539	7,040	Acquisition of property, plant and equipment	(80,352)	(75,721)
Expected credit loss (gain)	175	(3,048)	Proceeds from disposal of property, plant and equipment	236	1,099
Net (gain) loss of financial assets/liabilities at fair value through profit or loss	(1,086)	1,516	Acquisition of intangible assets	(782)	(4,672)
Finance costs	20,063	17,130	Decrease in other non-current assets	6,724	5,465
Interest revenue	(3,069)	(1,296)	Increase in prepayment for equipment	(53,175)	(65,341)
Dividend income	(5,579)	(10,195)	Dividends received	1,981	664
Share of loss of associates and joint ventures	50	5,763	Net cash used in investing activities	(25,653)	(238,506)
Loss on disposal of property, plant and equipment	476	3,137	Cash flows from financing activities:		
Loss on disposal of investments	3,182	-	Increase in short-term loans	457,905	1,085,633
Impairment loss on non-financial assets	11,164	-	Decrease in short-term loans	(593,984)	(1,082,363)
Other	94	-	Increase in long-term loans	492,633	320,000
Changes in operating assets and liabilities:			Decrease in long-term loans	(330,969)	(274,374)
(Increase) decrease in notes receivable	(7,842)	14,215	Cash payments for the principle portion of the lease liability	(37,408)	(33,657)
Decrease in accounts receivable	141,087	189,056	Decrease in other non-current liabilities	-	(75)
Decrease (increase) in inventories, net	182,512	(248,826)	Cash dividends paid	(18,488)	-
Decrease (increase) in prepayments	9,779	(1,243)	Changes in non-controlling interests	-	(121)
(Increase) decrease in other current assets	(1,130)	535	Net cash (used in) provided by financing activities	(30,311)	15,043
(Decrease) increase in contract liabilities	(56,184)	77,270	Effect of exchange rate changes on cash and cash equivalents	-	-
Decrease in notes payable	(55)	(178)	Net increase in cash and cash equivalents	63,769	70,681
Decrease in accounts payable	(112,267)	(31,314)	Cash and cash equivalents at beginning of year	453,978	383,297
Decrease in other payables	(12,175)	(41,008)	Cash and cash equivalents at end of year	\$517,747	\$453,978
Increase (decrease) in other current liabilities	9	(126)			
Decrease in net defined benefit obligation, noncurrent	(3,227)	(2,977)			
Cash generated from operations	131,578	305,902			
Interest received	3,352	1,001			
Dividends received	5,579	10,195			
Interest paid	(20,806)	(15,893)			
Income tax paid	30	(7,061)			
Net cash provided by operating activities	119,733	294,144			

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

SUNKO INK CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, unless Otherwise Stated)

1. General

Sunko Ink Co., Ltd. (hereinafter “the Company”) was incorporated in December 1974. The Company is engaged in manufacturing and trading of certain chemicals or industrial materials. Major product lines are as follows:

- a. Argochemicals
- b. Fine Chemicals: curing agent, non-halogenated flame retardant, reducing agent, antioxidant
- c. Polymer: PU Based surface treating agent, Polymer-TPU, Polymer-TPV
- d. UV Absorbers

In May 1996, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE), when the registered office was located at No. 139, Renmei Rd., Dali Dist., Taichung City 412036, Taiwan (R.O.C.). On 30 April 2020, as approved by Ministry of Economic Affairs, the Company’s registered operating office address was changed to 5F, No. 229, Zhongxing St., West Dist., Taichung City 403022, Taiwan (R.O.C.).

On 30 March 2016, the Company merged with Kuo Ching Chemical Co., Ltd. (hereinafter “Kuo Ching”). Kuo Ching was incorporated in April 1977, mainly engaged in production and trading of agrochemicals, fine chemicals, and other polymer materials. In October 2009, Kuo Ching’s shares was listed on the Emerging Stock Board. To improve efficiency and competitive capabilities, the Company merged with Kuo Ching on 30 March 2015 to integrate both entities’ production capacities, research resources, marketing and product lines. The Company was the surviving company which acquired all Kuo Ching’s assets, liabilities, rights, and obligations.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2023 and 2022 were approved to release in accordance with a resolution of the board of directors’ meeting on 5 March 2024.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption new standard and amendment is described, had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

- (b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and loss arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Group.

4. Summary of material accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NTD) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and loss and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- F. recognizes any resulting difference in profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Main business	Percentage of ownership (%)	
			31 December 2023	31 December 2022
The Company	Blessingthoughts Co. Ltd. (Blessingthoughts) (Note)	Drinks, and food vending	-	-
The Company	Kuo Ching Development Corp. (KuoChing Development)	Wholesale of chemical solvents, industrial additives, and other chemical raw materials or with derivative products	100%	100%

Note : The company remitted the remaining investment funds on 31 March 2022, and completed the liquidation on 14 April 2023.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-current Distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. The Group holds the asset primarily for the purpose of trading;
- C. The Group expects to realize the asset within twelve months after the reporting period;
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

- A. The Group expects to settle the liability in normal operating cycle;
- B. The Group holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period;
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Group's business model for managing the financial assets
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or loss.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or loss and foreign exchange gains and loss, until the financial asset is derecognized or reclassified.

- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or loss resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit loss of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit loss: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit loss: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit loss.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit loss.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12(4) for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or loss on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instruments

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost under weighted average cost method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional loss are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and loss resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment;
or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Estimated economic lives
Land improvements	7~20 years
Buildings	2~60 years
Machinery and equipment	2~25 years
Transportation equipment	5~8 years
Other equipment	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(14) Leases

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

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment loss. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the related rental concessions that occurred as a direct result of the COVID-19 pandemic, the Group chose not to assess whether it was a lease modification, but instead treated the rental concessions as changes in lease payments, and applied this practical expedient on all eligible rental concessions.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment loss, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment loss relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and loss, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(19) Treasury shares

The Group buys back its parent company's equity instruments (treasury shares) that are recognized at cost as a deduction item under equity. The valuation difference resulted from transactions of treasury shares is reported under equity.

(20) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells fitness equipment. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer obtains the right and carrying value of the goods). The sales of goods transactions of the revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group collects the payments when contracts signed-off and has the obligations to transfer the goods or provide the services, these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

(21) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Income Tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. The deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination when affects neither the accounting profit nor taxable profit or loss, does not give rise to equivalent taxable and deductible temporary differences.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax loss, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax loss can be utilized, except:

- A. The deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination when the transaction, affects neither the accounting profit nor taxable profit or loss, does not give rise to equivalent taxable and deductible temporary differences.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future with sufficient taxable profit against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

5. Significant accounting judgements, estimates and assumptions

In preparation of the Group's consolidated financial statements, the Group's management is required to make judgments, estimates and assumptions at the end of the reporting period that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties from these assumption and estimate may result in a material adjustment to the carrying amount of relevant assets or liabilities in future periods.

Major resources or factors that are the bases of estimates or assumptions are with uncertainties. Significant risks may exist that may result in material adjustments on the carrying amounts of assets or liabilities in future reporting periods. Major estimate factors are listed as follows:

A. Accounts receivables–estimate of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit loss. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that are expected to receive (by evaluating forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(3) and Note 13 for more details.

B. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, wholly or partially obsolete, or with downward selling prices. The estimates are based on the most reliable evidence available at the time the estimates are made. Refer to Note 6(4) for details.

C. The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation Techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Pension Benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate and expected salary raise/cut or changes. Please refer to Note 6(10) for more details.

E. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company make provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by different jurisdictional tax authorities. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entities' domicile.

Deferred tax assets are recognized to the extent where tax loss carryforward, tax credits and deductible temporary differences that are probable with foreseeable taxable profit being available, can be utilized. The amount of deferred tax assets is estimated based upon the likely timing of utilizing taxable temporary differences and forecasted taxable profits as well as future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$102	\$100
Petty cash	250	250
Demand deposits	517,395	453,628
Total	<u>\$517,747</u>	<u>\$453,978</u>

(2) Financial assets measured at amortized cost

	As of 31 December	
	2023	2022
Time deposits with maturity over three months	\$2,000	\$100,000
Pledged time deposits	2,800	2,800
Subtotal	4,800	102,800
Less: loss allowance	-	-

	As of 31 December	
	2023	2022
Total	\$4,800	\$102,800
Current	\$2,000	\$100,000
Non-current	2,800	2,800
Total	\$4,800	\$102,800

For further information on financial assets measured at amortized cost pledged as collateral and on credit risk, please refer to Note 8 and Note 12 (4), respectively.

(3) Accounts receivable, net

	As of 31 December	
	2023	2022
Accounts receivable	\$410,129	\$551,217
Less: loss allowance	(1,710)	(353)
Total	\$408,419	\$550,864

Accounts receivable were not pledged.

The collection period is generally net 30~150 days. The carrying amount of accounts receivable of 31 December in both 2023 and 2022 has been assessed with a high likelihood of collection. Please refer to Note 6 (13) for more details regarding loss allowance of accounts receivable for the year periods ended December 2023 and 2022. Please refer to Note 12 (4) for more details on credit risk management.

100% credit loss provision is reserved for account receivables which are deemed with least possibility to be collected. As of 31 December 2023, and 2022, the respective accounts are \$26,981 thousand and \$28,163 thousand, respectively.

(4) Inventories, net

	As of 31 December	
	2023	2022
Raw materials	\$291,578	\$411,426
Work in progress	74,793	20,761
Finished goods	506,684	626,649
Merchandise	6,600	3,331
Total	\$879,655	\$1,062,167

The cost of inventories recognized as cost of sales for the years ended 31 December 2023 and 2022 amounted to \$2,247,941 and \$2,752,806, respectively. The expenses resulted from inventory write-downs were recorded as \$7,274 and \$37,003 for the years ended 31 December 2023, and 2022, respectively.

No inventories were pledged.

(5) Investments accounted for under the equity method

Details of investments accounted for under the equity method are as follows:

Investees	As of 31 December			
	2023		2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Power Rich International Limited (Power Rich)	\$ -	-	\$3,411	30.00%
Bnkc Biochemical Technology Company, Limited (Bnkc Biochemical Technology Co.)	-	-	3,044	49.00%
Sunko Biotech Company, Limited (Sunko Biotech Co.)	-	22.32%	-	22.32%
Chen Chi Technology Company, Limited (Chen Chi Technology Co.)	-	41.00%	-	41.00%
Total	\$ -		\$6,455	

The Group's share of loss of Sunko Biotech Co. and Chen Chi Technology Co. equaled its interest in Power Rich, Sunko Biotech Co. and Chen Chi Technology Co. Therefore, the Group is not obliged to recognize its share of further loss.

The Group disposed of its investment in Bnkc Biochemical Technology Company in November 2023 at the sale price of \$1,715. The Group lost significant influence over the investment in Power Rich in November 2023 when, in consequence, the respective investment was reclassified as financial assets measured at fair value through other comprehensive income — non-current.

- (a) The details of investments recognized as profit and loss in 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Power Rich	\$(3,884)	\$(7,964)
Bnkc Biochemical Technology Co.	3,834	2,201
Total	<u>\$(50)</u>	<u>\$(5,763)</u>

- (b) The details of the exchange differences on translation of foreign financial statements in 2022 and 2021 are as follows:

	For the years ended 31 December	
	2023	2022
Power Rich	<u>\$473</u>	<u>\$915</u>

- (c) Investments in associates

The Group's investments in Bnkc Biochemical Technology Co are not significant. The investments are valued based on the investee's financial statements within the same fiscal accounting period. The investments in associates had no contingent liabilities or capital commitments as of 31 December 2023 and 2022. The investments have not been pledged as collaterals.

(6) Property, plant and equipment

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress	Total
Cost:								
As of 1 January 2023	\$465,109	\$3,083	\$996,770	\$2,496,797	\$16,240	\$329,640	\$1,180	\$4,308,819
Additions	-	-	11,245	62,211	111	12,385	-	85,952
Disposals	-	-	(405)	(10,898)	-	(3,634)	-	(14,937)
Reclassification	-	-	3,929	46,572	-	2,466	(1,180)	51,787
As of 31 December 2023	\$465,109	\$3,083	\$1,011,539	\$2,594,682	\$16,351	\$340,857	\$-	\$4,431,621
Depreciation and impairment:								
As of 1 January 2023	\$-	\$2,179	\$545,337	\$1,953,624	\$11,590	\$239,548	\$-	\$2,752,278
Depreciation	-	132	45,651	148,448	864	20,577	-	215,672
Disposals	-	-	(405)	(10,219)	-	(3,601)	-	(14,225)
Reclassification	-	-	-	-	-	-	-	-
As of 31 December 2023	\$-	\$2,311	\$590,583	\$2,091,853	\$12,454	\$256,524	\$-	\$2,953,725
Cost:								
As of 1 January 2022	\$465,109	\$3,083	\$967,406	\$2,456,759	\$16,485	\$317,093	\$6,914	\$4,232,849
Additions	-	-	12,669	50,097	301	9,466	-	72,533
Disposals	-	-	(5,695)	(26,314)	(675)	(13,389)	-	(46,073)
Reclassification	-	-	22,390	16,255	129	16,470	(5,734)	49,510
As of 31 December 2022	\$465,109	\$3,083	\$996,770	\$2,496,797	\$16,240	\$329,640	\$1,180	\$4,308,819
Depreciation and impairment:								
As of 1 January 2022	\$-	\$2,047	\$501,714	\$1,821,435	\$11,424	\$231,871	\$-	\$2,568,491
Depreciation	-	132	49,095	154,756	841	20,800	-	225,624
Disposals	-	-	(5,472)	(22,567)	(675)	(13,123)	-	(41,837)
As of 31 December 2022	\$-	\$2,179	\$545,337	\$1,953,624	\$11,590	\$239,548	\$-	\$2,752,278
Net carrying amount:								
As of 31 December 2023	\$465,109	\$772	\$420,956	\$502,829	\$3,897	\$84,333	\$-	\$1,477,896
As of 31 December 2022	\$465,109	\$904	\$451,433	\$543,173	\$4,650	\$90,092	\$1,180	\$1,556,541

- (a) There is no capitalization of interest due to purchase of property, plant and equipment for the years ended 31 December 2023 and 2022.
- (b) Components of buildings that have different useful lives are the main building structure and air condition equipment and elevators, which are depreciated over 60 years and 5 years and 15 years, respectively. Machinery and equipment that have different useful lives are new reaction equipment, piping equipment, and production equipment for expansion, etc., which are depreciated over 10 years and 5 years and 7 years, respectively.
- (c) As of 31 December 2023 and 2022, due to legal restrictions, part of the lands belonging to agricultural lands were recorded in the Group's accounts and the amount temporarily registered in the name of another person amounted to \$7,011 without differences. The Group obtained the certificates of other rights for each of the lands.
- (d) Please refer to Note 8 for property, plant and equipment pledged as collateral.

(7) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	<u>\$162,912</u>	<u>\$298,991</u>

	As of 31 December	
	2023	2022
Interest rates applied for unsecured bank loans	<u>1.70%~6.71%</u>	<u>1.34%~6.18%</u>

The Group's open short-term lines of credit facilities were \$755,572 and \$704,791, as of 31 December 2023 and 2022, respectively.

(8) Other payables

	As of 31 December	
	2023	2022
Accrued payroll	\$68,775	\$74,986
Accrued expense of pollution remediation	29,608	32,989
Payables on equipment	8,631	3,031
Accrued employees' compensation	-	2,104
Accrued directors' compensation	-	701
Other expense	61,895	62,416
Total	<u>\$168,909</u>	<u>\$176,227</u>

(9) Long-term loans

(1) Details of long-term loans as at 31 December 2023 and 2022 are as follows:

Lenders	As of 31 December 2023	As of 31 December 2022	Redemption
Mega International Commercial Bank secured bank loan	\$ -	\$92,650	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
First Commercial Bank secured bank loan	33,280	66,640	Repayable quarterly from 24 March 2022 to 24 December 2024. Principle is repaid in 12 quarterly installments.
First Commercial Bank secured bank loan	49,960	83,320	Repayable quarterly from 5 August 2022 to 5 May 2025. Principle is repaid in 12 quarterly installments.
First Commercial Bank secured bank loans	100,000	100,000	Repayable quarterly from 7 January 2025 to 7 October 2027 Principle is repaid in 12 quarterly installments.
Chang Hwa Commercial Bank unsecured loan	28,125	50,625	Repayable quarterly from 24 June 2021 to 24 March 2025. Principle is repaid in 16 quarterly installments.
Mega International Commercial Bank unsecured loan	-	70,850	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
Taipei Fubon Bank unsecured loan	17,500	27,500	Repayable quarterly from 1 December 2020 to 1 September 2025. Principle is repaid in 20 quarterly installments.
O-Bank unsecured loan	24,111	31,000	Repayable quarterly from 15 July 2023 to 15 July 2025. Principle is repaid in 9 quarterly installments.
O-Bank unsecured loan	69,223	89,000	Repayable quarterly from 15 July 2023 to 15 July 2025. Principle is repaid in 9 quarterly installments.
Taiwan Cooperative Bank unsecured loan	-	35,333	From 21 March 2020 to 21 December 2023, an advance repayment of the current period was \$5,500, and remaining balance was divided into sixteen installments with three months being one installment. Principle is repaid in 16 quarterly installments.

Lenders	As of 31 December 2023	As of 31 December 2022	Redemption
Taiwan Cooperative Bank unsecured loan	93,750	100,000	Repayable quarterly from 19 November 2023 to 19 August 2027. Principle is repaid in 16 quarterly installments.
Hua Nan Ban unsecured loan	100,000	-	Repayable quarterly from 26 December 2024 to 26 September 2028. Principle is repaid in 16 quarterly installments.
Bank of Taiwan secured loan	50,000	-	Repayable quarterly from 29 June 2024 to 29 March 2030. Principle is repaid in 24 quarterly installments.
Mega International Commercial Bank secured bank loans	300,000	-	Repayable quarterly from 26 December 2025 to 26 December 2033. Principle is repaid in 33 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	16,900	-	Repayable quarterly from 25 January 2024 to 25 October 2028. Principle is repaid in 20 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	9,200	-	Repayable quarterly from 25 January 2024 to 25 October 2033. Principle is repaid in 40 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	16,533	-	Repayable quarterly from 25 January 2024 to 25 October 2033. Principle is repaid in 40 quarterly installments.
Subtotal	908,582	746,918	
Less: current portion	(195,927)	(191,470)	
Total	\$712,655	\$555,448	
	As of 31 December		
	2023	2022	
Interest rates applied	1.88%~2.30%	1.51%~1.83%	

(2) Please refer to Note 8 for property, plant and equipment pledged as collateral for long-term loans.

(10) Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were \$17,419 and \$17,757, respectively.

Defined benefits plan

The Group adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contribute an amount equivalent to 6.6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions on the assumption that workers meeting retirement terms will be retiring within the coming year, the Group shall make one-time contribution to the fund to eliminate the difference before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$3,475 to its defined benefit plan during the 12 months beginning after 31 December 2023.

The average duration of the defined benefits plan obligation as of 31 December 2023, was 7 years.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Current service costs	\$232	\$356
Interest expense	30	103
Gains arising from settlement	(155)	-
Total	<u>\$107</u>	<u>\$459</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of 31 December	
	2023	2022
Defined benefit obligation	\$64,358	\$67,533
Plan assets at fair value	(66,006)	(63,363)
Book amount of net defined benefit (assets) liability	<u>\$(1,648)</u>	<u>\$4,170</u>

Reconciliation of liability (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2022	\$78,306	\$(61,898)	\$16,408
Current period service costs	356	-	356
Net interest expense (income)	542	(439)	103
Subtotal	<u>79,204</u>	<u>(62,337)</u>	<u>16,867</u>
Remeasurement of defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	13	-	13
Actuarial gains and loss arising from changes in financial assumptions	(3,147)	-	(3,147)
Experience adjustments	(723)	-	(723)
Remeasurements of the defined benefit assets	-	(5,404)	(5,404)
Subtotal	<u>(3,857)</u>	<u>(5,404)</u>	<u>(9,261)</u>
Benefits paid	(7,814)	7,814	-
Contributions by employer	-	(3,436)	(3,436)
As of 31 December 2022	<u>67,533</u>	<u>(63,363)</u>	<u>4,170</u>
Current period service costs	232	-	232
Gains arising from settlement	(155)	-	(155)
Net interest expense (income)	834	(804)	30
Subtotal	<u>68,444</u>	<u>(64,167)</u>	<u>4,277</u>
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	(5)	-	(5)
Actuarial gains and loss arising from changes in financial assumptions	247	-	247
Experience adjustments	(2,237)	-	(2,237)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Remeasurements of the defined benefit assets	-	(596)	(596)
Subtotal	(1,995)	(596)	(2,591)
Settlement or curtailment	(2,091)	2,091	-
Benefits paid	-	(3,334)	(3,334)
As of 31 December 2023	<u>\$64,358</u>	<u>\$(66,006)</u>	<u>\$(1,648)</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of 31 December	
	2023	2022
Discount rate	1.20%	1.25%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of 31 December 2023 and 2022 is as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$ -	1,162	\$ -	\$1,360
Discount rate increase by 0.10%	-	469	-	549
Discount rate decrease by 0.10%	475	-	556	-
Discount rate decrease by 0.25%	1,198	-	1,404	-
Future salary increase by 0.25%	1,185	-	1,390	-
Future salary decrease by 0.25%	-	1,156	-	1,354

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and assumptions for preparing sensitivity analyses was consistent with those in the prior fiscal period.

(11)Equity

A. Common stock

As of 1 January 2022 the Company's authorized capital was \$2,500,000, divided into 250,000 thousand shares with par value of NTD10 each. The number of issued shares was 188,995 thousand shares, and the paid-in capital was \$1,889,952.

The Company's board of directors approved to write off treasury shares on the meeting dated 16 December 2021. The applicable closing date of capital reduction was 19 January 2022. The amount of capital reduction was \$41,111, and 4,111 thousand shares were eliminated. The modification of registration was completed on 7 February 2022.

The Company's authorized capital was \$2,500,000 as of 31 December 2023 the number of issued shares was 184,884 thousand shares with par value NTD10 each, and the paid-in capital was \$1,848,841.

In August 2007, May and December 2012, the Company issued 30,000 thousand shares, 5,000 thousand shares and 5,000 thousand shares of private placement, respectively, in accordance with Article 43-6 of the Securities Exchange Act. The closing dates of the capital increase were August 7, 2007, October 30 and 5 December 2012. The above private shares were canceled in October 2009 as a result of a capital reduction to offset the accumulated loss, with 12,449 thousand shares canceled in proportion to the shareholding ratio. In March 2016, 5,000 thousand private shares were canceled due to the merger. In December 2020, 3,383 thousand shares were canceled as a result of the capital reduction in cash refund to the shareholders.

The above private shares and their subsequent allocations are based on the delivery date of the private securities in accordance with the third paragraph of Article 43-8 of the Securities Exchange Act (26 October 2007; 5 December 2012; 10 January 2013). After three years of holding such shares, the holders may apply for approval to the governing authority under Securities Exchange Act and other relevant regulations. The shares may be freely transferred in the open market after obtaining said approval.

As of 31 December 2023, the number of outstanding private 19,168 thousand shares with par value is 10 per share, and the public offering process has not yet been processed.

B. Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

	As of 31 December	
	2023	2022
Treasury share transactions	\$25,170	\$25,170
Premium from merger	15,188	15,188
Adjustments arising from changes in percentage of ownership in subsidiaries	1,897	1,897
Total	<u>\$42,255</u>	<u>\$42,255</u>

C. Distribution of retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

- (a) Income tax obligation
- (b) Offsetting accumulated deficits, if any
- (c) Set aside 10% as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.
- (d) Set aside or reserve special reserve in accordance with law and regulations.
- (e) In combining the balance with the accumulated undistributed surplus of the previous period, the board of directors shall prepare a proposal for earnings distribution and submit it to the shareholders' meeting for a resolution distributing dividends to shareholders.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa- Zi 1100150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. The Company’s special reserve resulted from first-time adoption of IFRS on 1 January 2012 (adoption date) was \$0.

Details of the 2023 and 2022 earnings distribution and dividends per share as being approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 5 March 2024 and 14 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$ -	\$6,874		

	Appropriation of earnings		Dividend per share (NTD)	
	<hr/>		<hr/>	
Recognition (reversal) of special reserve	(3,366)	2,161		
Common stock cash dividend	-	18,488	\$ -	\$0.1

Please refer to Note 6 (15) for further details on employees' compensation and remuneration to directors.

D. Non-controlling interests

	As of 31 December	
	2023	2022
	<hr/>	<hr/>
Beginning balance	\$ -	\$121
Consolidated Net Income Attributed to Non- controlling Interest	-	-
Changes in subsidiaries' ownership	-	(121)
Ending balance	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

(12) Operating revenue

The Group's revenue mainly come from selling products the Group manufactured. Analysis of revenue from contracts with customers during the years ended 31 December 2023 and 2022 are as follows:

A. Disaggregation of revenue

	For the years ended 31 December	
	2023	2022
	<hr/>	<hr/>
Sale of goods	<hr/> <hr/> \$2,185,671	<hr/> <hr/> \$3,008,554

The Group recognizes revenues when control of the products is transferred to customers. Revenues are earned and reported at the time that respective contract criteria are met.

B. Contract balance

Contract liabilities – current

	As of		
	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>1 January 2022</u>
Sales of goods	<u>\$25,305</u>	<u>\$81,489</u>	<u>\$4,219</u>

The movement in the Group’s balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognized from opening balance	\$(81,489)	\$(4,219)
Increase in advance receipt within the period (excluding the amount being recognized as periodical revenues)	25,305	81,489

C. Transaction price allocated to unfulfilled contract obligations

None.

D. Assets recognized from costs to fulfil a contract with customers

None.

(13) Expected credit (loss) gains

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit (loss) gains		
Accounts receivable	<u>\$(175)</u>	<u>\$3,048</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable and overdue receivables) at an amount equal to lifetime expected credit loss. The assessment of the Group’s loss allowance as of 31 December 2023 and 2022 are as follows:

31 December 2023

	Not yet due (note)	Overdue					Total
		<=30 days	31-90 days	91-180 days	181-365 days	>=365 days	
Gross carrying amount	\$418,527	\$17,097	\$ -	\$ -	\$ -	\$26,981	\$462,605
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(1,710)	-	-	-	(26,981)	(28,691)
Net carrying amount	\$418,527	\$15,387	\$ -	\$ -	\$ -	\$ -	\$433,914

31 December 2022

	Not yet due (note)	Overdue					Total
		<=30 days	31-90 days	91-180 days	181-365 days	>=365 days	
Gross carrying amount	\$565,343	\$3,527	\$ -	\$ -	\$ -	\$28,163	\$597,033
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(353)	-	-	-	(28,163)	(28,516)
Net carrying amount	\$(565,343)	\$3,174	\$ -	\$ -	\$ -	\$ -	\$568,517

Note: The Group's note receivables are not overdue.

The movement in the impairment provision of notes receivable and accounts receivable for the years ended 31 December 2023 and 2022 is as follows:

	Notes receivable	Accounts receivable	Overdue receivables	Total
As of 1 January 2023	\$ -	\$353	\$28,163	\$28,516
Provision (Reversal)	-	1,357	(1,182)	175
Transfer (out) in	-	-	-	-
As of 31 December 2023	\$ -	\$1,710	\$26,981	\$28,691
As of 1 January 2022	\$ -	\$17,885	\$13,679	\$31,564
Provision (Reversal)	-	(1,774)	(1,274)	(3,048)
Transfer (out) in	-	(15,758)	15,758	-
As of 31 December 2022	\$ -	\$353	\$28,163	\$28,516

(14) Leases

A. The Group is a lessee

The Group leases various properties, including land, buildings, transportation equipment and other equipment. The lease terms range from 2 to 10 years.

The impact of Group's leases on the financial position, financial performance and cash flows is as follows:

(a) Amounts recognized in the balance sheet

(i) Right-of-use asset

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2023	\$85,232	\$91,263	\$3,125	\$664	\$180,284
Additions	1,837	37,987	2,478	-	42,302
Disposals	(237)	(43,811)	(2,426)	(556)	(47,030)
As of 31 December 2023	<u>\$86,832</u>	<u>\$85,439</u>	<u>\$3,177</u>	<u>\$108</u>	<u>\$175,556</u>

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2023	\$34,293	\$48,844	\$1,896	\$521	\$85,554
Depreciation	10,012	26,122	1,316	90	37,540
Disposals	(237)	(37,866)	(2,426)	(510)	(41,039)
As of 31 December 2023	<u>\$44,068</u>	<u>\$37,100</u>	<u>\$786</u>	<u>\$101</u>	<u>\$82,055</u>

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2022	\$84,450	\$91,131	\$7,637	\$894	\$184,112
Additions	782	21,903	699	-	23,384
Disposals	-	(21,771)	(5,211)	(230)	(27,212)
As of 31 December 2022	<u>\$85,232</u>	<u>\$91,263</u>	<u>\$3,125</u>	<u>\$664</u>	<u>\$180,284</u>

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2022	\$25,146	\$47,936	\$5,716	\$613	\$79,411
Depreciation	9,147	22,679	1,391	138	33,355
Disposals	-	(21,771)	(5,211)	(230)	(27,212)
As of 31 December 2022	<u>\$34,293</u>	<u>\$48,844</u>	<u>\$1,896</u>	<u>\$521</u>	<u>\$85,554</u>

Net carrying
amount:

As of 31 December 2023	<u>\$42,764</u>	<u>\$48,339</u>	<u>\$2,391</u>	<u>\$7</u>	<u>\$93,501</u>
As of 31 December 2022	<u>\$50,939</u>	<u>\$42,419</u>	<u>\$1,229</u>	<u>\$143</u>	<u>\$94,730</u>

(ii) Lease liabilities

	As of 31 December	
	2023	2022
Current	\$33,539	\$28,948
Non-Current	58,859	64,453
Total	<u>\$92,398</u>	<u>\$93,401</u>

Please refer to Note 6(16)(d) for the interest expense regarding with lease liabilities recognized during the years ended 31 December 2023 and 2022. Please refer to Note 12 (5) Liquidity risk management for the maturity analysis on lease liabilities as of 31 December 2023 and 2022.

B. Amounts recognized in the statement of comprehensive income

Depreciation on right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$10,012	\$9,147
Buildings	26,122	22,679
Transportation equipment	1,316	1,391
Other equipment	90	138
Total	<u>\$37,540</u>	<u>\$33,355</u>

C. Income (gain) or expense (loss) relating with leases

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$3,218</u>	<u>\$6,394</u>

D. Cash outflow related to lessee and lease activity

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounting to \$42,174 and \$41,377.

(15) Summary of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

Function Nature	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expenses						
Salaries	\$270,108	\$88,260	\$358,368	\$281,937	\$92,160	\$374,097
Labor and health insurance	29,997	9,846	39,843	29,218	8,909	38,127
Pension	13,294	4,232	17,526	13,789	4,354	18,143
Director's remuneration	-	1,685	1,685	-	2,459	2,459
Other employee benefits	17,316	3,615	20,931	17,949	4,133	22,082
Depreciation	236,195	17,017	253,212	241,456	17,523	258,979
Amortization	2,991	3,547	6,538	1,183	4,389	5,572

According to the Articles of Incorporation, at least 3% of profit of the current year shall be appropriated as employees' compensation, and no higher than 1% of profit of the current year shall be appropriated as remuneration to board directors, however, the accumulated deficits, if any, shall first be made up for. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

As of 31 December 2023, and for the year then ended, the Company concluded as net operating loss, and accordingly no employees' compensation and remuneration to board directors have been appropriated.

On March 14, 2023, the Company's board directors passed the resolution to pay remuneration of employees and directors in \$2,104 and \$701, respectively. There are no differences in the amounts stated as expenses in the 2022 financial reports.

(16) Non-operating income and expenses

A. Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	<u>\$3,069</u>	<u>\$1,296</u>

B. Other income

	For the years ended 31 December	
	2023	2022
Dividend income	\$5,579	\$10,195
Rental income	572	679
Others	3,541	2,169
Total	<u>\$9,692</u>	<u>\$13,043</u>

C. Other gains and loss

	For the years ended 31 December	
	2023	2022
Foreign exchange gain, net	\$785	\$52,156
Loss on disposal of property, plant and equipment	(476)	(3,137)
Impairment loss – Goodwill	(11,164)	-
Loss on disposal of investments	(3,182)	-
Gains (loss) on valuation of financial assets at fair value through profit or loss (Note)	1,086	(1,516)
Others expense	(15,813)	(39)
Total	<u>\$(28,764)</u>	<u>\$47,464</u>

Note: Generated as financial assets or liabilities were measured at fair value through profit or loss.

D. Finance costs

	For the years ended 31 December	
	2023	2022
Interest on bank loans	\$(18,515)	\$(15,804)
Interest on lease liabilities	(1,548)	(1,326)
Total	<u>\$(20,063)</u>	<u>\$(17,130)</u>

(17) Components of other comprehensive income (loss)

A. For the year ended 31 December 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax effect	Other comprehensive income (loss), net of tax
Items not to be reclassified to profit or loss subsequently: Remeasurements of defined benefit plans	\$2,591	\$ -	\$2,591	\$(411)	\$(2,180)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	3,653	-	3,653	-	\$3,653
Items that may be reclassified to profit or loss subsequently: Share of other comprehensive income of associates accounted for under the equity method	473	-	473	(202)	271
Total of other comprehensive income	<u>\$6,717</u>	<u>\$ -</u>	<u>\$6,717</u>	<u>\$(613)</u>	<u>\$6,104</u>

B. For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax effect	Other comprehensive income (loss), net of tax
Items not to be reclassified to profit or loss subsequently: Remeasurements of defined benefit plans	\$9,261	\$ -	\$9,261	\$(1,852)	\$7,409
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	(2,893)	-	(2,893)	-	(2,893)
Items that may be reclassified to profit or loss subsequently: Share of other comprehensive income of associates accounted for under the equity method	915	-	915	(183)	732
Total of other comprehensive income	<u>\$7,283</u>	<u>\$ -</u>	<u>\$7,283</u>	<u>\$(2,035)</u>	<u>\$5,248</u>

(18) Income tax

For the years ended 31 December 2023 and 2022 the major components of income tax (expense) benefit are as follows:

A. Income tax recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax benefit (expense):		
Current income tax charge	\$ -	\$(3,854)
Income tax of prior years	11,469	(321)
Deferred tax (expense) benefit:		
Deferred tax (expense) benefit relating to origination and reversal of temporary differences	5,949	10,493
Deferred tax relating to origination and reversal of tax loss and tax credit	765	(16,460)
Total income tax expense	<u>\$18,183</u>	<u>\$(10,142)</u>

B. Income tax related to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred income tax (expense) benefit:		
Share of other comprehensive income of associates accounted for under the equity method	\$(202)	\$(183)
Remeasurement of defined benefit plans	(411)	(1,852)
Income tax related to components of other comprehensive income	<u>\$(613)</u>	<u>\$(2,035)</u>

C. Reconciliation between tax expense (benefit) and accounting profit at the Company's applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting (loss) profit before tax from continuing operations	<u>\$(296,150)</u>	<u>\$71,472</u>
At the Company's statutory income rate	\$59,229	\$(14,294)
Tax effect of tax-exempt income	1,499	5,991
Tax effect of non-deductible expenses	(2,856)	(102)
Adjustments of deferred tax assets/liabilities for write- downs or reversals	(28,220)	(1,408)
Surtax on undistributed earnings	-	(8)
Income tax of prior years	(11,469)	(321)
Total income tax expenses recognized in profit or loss	<u>\$18,183</u>	<u>\$(10,142)</u>

D. Significant components of deferred tax assets (liabilities) are as follows:

(a) For the year ended 31 December 2023

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	\$(2,232)	\$2,232	\$ -	\$ -
Allowance for inventory valuation loss	23,117	1,455	-	24,572
Pension actuarial adjustment	497	-	(518)	(21)
Land value incremental tax	(72,514)	-	-	(72,514)
Accrued expense of pollution remediation	32,029	-	-	32,029
Share of other comprehensive income of associates accounted for under the equity method	95	-	(95)	-
Loss carry-forward	17,012	765	-	17,867
Others	4,460	2,262	-	6,722
Deferred income tax benefit /(expense)		<u>\$6,714</u>	<u>\$(613)</u>	
Net deferred income tax assets/(liabilities)	<u>\$2,554</u>			<u>\$8,655</u>
Balances on 31 December 2022:				
Deferred tax assets	<u>\$77,300</u>			<u>\$81,169</u>
Deferred tax liabilities	<u>\$(74,746)</u>			<u>\$(72,514)</u>

(b) For the year ended December 31 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	\$(2,232)	\$ -	\$ -	\$(2,332)
Allowance for inventory valuation loss	15,717	7,400	-	23,117
Pension actuarial adjustment	2,349	-	(1,852)	497
Land value incremental tax	(72,514)	-	-	(72,514)
Accrued expense of pollution remediation	32,029	-	-	32,029
Share of other comprehensive income of associates accounted for under the equity method	278	-	(183)	95
Loss carry-forward	33,562	(16,460)	-	17,102
Others	1,367	3,093	-	4,460
Deferred income tax benefit /(expense)		<u>\$(5,967)</u>	<u>\$(2,035)</u>	
Net deferred income tax assets/(liabilities)	<u>\$10,556</u>			<u>\$2,554</u>
Balances on 31 December 2021:				
Deferred tax assets	<u>\$85,388</u>			<u>\$77,300</u>
Deferred tax liabilities	<u>\$(74,832)</u>			<u>\$(74,746)</u>

E. The following table provides the information of the unused loss carry-forward:

Year	Tax loss for the period	Unused tax loss as of		Expiration Year
		31 December 2023	31 December 2022	
2020	\$163,132	\$86,855	\$86,855	2030
2021	76,486	76,486	76,486	2031
2023	235,814	235,814	-	2033
Total	<u>\$475,432</u>	<u>\$399,155</u>	<u>\$163,341</u>	

F. Deferred assets with least possibility to be realized

As of 31 December 2023, and 2022, deductible temporary differences for which no deferred income tax assets have been recognized in amounted to \$79,938 and \$32,229, respectively.

G. Status of income tax returns assessment

As of 31 December 2023, the status of the Group's income tax returns which have been assessed by tax authorities is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021
The Subsidiary -Blessingthoughts	Assessed and approved up to 2021
The Subsidiary –KuoChing Development	Assessed and approved up to 2021

(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the years attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share in 2023 shall be accounted for due to that net loss operating loss was concluded for the fiscal.

	For the years ended 31 December	
	2023	2022
(1) Basic earnings per share		
Net (loss) income attributable to the parent company (in thousands of NTD)	<u>\$(277,967)</u>	<u>\$61,330</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	<u>184,884</u>	<u>184,884</u>
Basic (loss) earnings per share (NTD)	<u>\$(1.50)</u>	<u>\$0.33</u>
	For the years ended 31 December	
	2023	2022
(2) Diluted earnings per share		
Net (loss) income attributable to the parent company	<u>\$(277,967)</u>	<u>\$61,330</u>
Effect of dilution on net (loss) income attributable to ordinary stockholders of the Company after dilution	<u>\$(277,967)</u>	<u>\$61,330</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	184,884	184,884
Effect of dilution:		
Employees' compensation (thousand shares)	-	142
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	<u>184,884</u>	<u>185,026</u>
Diluted (loss) earnings per share (NTD)	<u>\$(1.50)</u>	<u>\$0.33</u>

There were no transactions which may significantly change the number of the outstanding ordinary shares from the financial statement date to the date of releasing financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
KT Investment Company, Limited	The Company's director
Macy Investment Company, Limited	The Company's director
Chiaoli Investment Company, Limited	The Company's director

Significant transactions with the related parties

A. Lease - related parties

(a) Rental income

	For the years ended 31 December	
	2023	2022
KT Investment Company, Limited	\$549	\$549

The Group leased its plant and building to the said related party, from which rental income and collection were set at arm's length range.

(b) Right-of-use assets

	As of 31 December	
	2023	2022
Macy Investment Company, Limited	\$41,186	\$49,707

(c) Lease liabilities

	As of 31 December	
	2023	2022
Macy Investment Company, Limited	\$41,942	\$50,410

(d) Interest expenses

	For the years ended 31, December	
	2023	2022
Macy Investment Company, Limited	\$675	\$797

B. Key management personnel compensation

	For the years ended 31, December	
	2023	2022
Short-term employee benefits	\$9,764	\$8,739
Post-employment benefits	248	241
Total	\$10,012	\$8,980

8. Assets pledged as collaterals

The following table lists assets of the Group pledged as collaterals:

	Carrying Amount		Purpose of pledges
	As of 31 December 2023	As of 31 December 2022	
Property, plant and equipment – buildings, machinery and equipment	\$498,607	\$446,552	Long and short-term loans
Financial assets measured at amortized cost	2,800	2,800	Energy resources guarantee
Total	<u>\$501,407</u>	<u>\$449,352</u>	

9. Significant contingencies and derecognized contract commitments

The following items are the contingencies which have not been accrued and recorded on the balance sheet as of 31 December 2023

1. As of 31 December 2023, the amount available under unused letter of credit was \$32,668.
2. As of 31 December 2023, the Group entered several construction contracts for which the development is in progress. The following provides significant details:

Supplier	Contract Subject	Total Contract Amount	Equipment Payment Made	Unpaid amount as of December 31 2023
Counterparty A	Equipment procurement	\$39,000	\$32,212	\$6,788

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

	As of 31 December	
	2023	2022
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss	\$98,719	\$95,066
Amortized cost of a financial asset:		
Cash and cash equivalents (excluding cash on hand)	517,395	453,628
Measured at amortized cost financial assets	4,800	102,800
Notes receivable	25,495	17,653
Accounts receivable	408,419	550,864
Other receivables (Other current assets)	1,164	450
Subtotal	957,273	1,125,395
Total	\$1,055,992	\$1,220,461

	As of 31 December	
	2023	2022
<u>Financial Liabilities</u>		
Financial liabilities at amortized cost:		
Short-term loans	\$162,912	\$298,991
Notes and accounts payable	185,145	297,467
Other payable	168,909	176,227
Long-term loans (including current portion)	908,582	746,918
Lease liability	92,398	93,401
Subtotal	1,517,946	1,613,004
Financial liabilities at fair value through profit or loss (Other current assets)	-	1,086
Total	\$1,517,946	\$1,614,090

(2) Financial risk management objectives

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk preference.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant activities, approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk factor varies independently from other risk factors. A correlation normally exist among risk factors. However, the following sensitivity analyses do not disclose the correlations among these risk factors.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group applies natural hedges on the foreign currency risk arising from purchases or sales as certain portion of receivables or payables are denominated as the same currencies, and utilizes spot or forward exchange contracts to manage foreign currency risk. The Group designates certain forward currency contracts as balance sheet hedges to hedge its exposure to foreign currency exchange risk associated with certain balance sheet assets or liabilities. Hedge accounting is not applied as the aforesaid natural hedges or designated forward contracts to hedge currency risk are deemed ineffective hedges. Furthermore, the currency risk exposures due from investments in oversea associates are not hedges as the investments are set for certain operating strategies.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk mainly resulted from the volatility of exchanging USD or CNY to NTD, and vice versa. The information of the sensitivity analysis is as follows:

- a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased/increased by \$1,642 and \$3,169, respectively; and no impact on the equity.
- b. When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2023 and 2022 is increased/decreased by \$308 and by \$236, respectively; and no impact on the equity.

Interest rate risk

The Group is exposed to interest rate risk arising from borrowing at floating interest rates. Interest rate risk is the risk that the fair value or forecasted cash flows of a financial instrument fluctuates due to the volatility in market interest rates.

The sensitivity analysis of interest rate fluctuation is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting dates, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2023 and 2022 to increase/decrease by \$1,071 and \$1,046, respectively.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future performance of equity markets. The Company's equity investments are classified as financial assets at fair value through other comprehensive income. The equity investment portfolio is submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves changes on the equity investment portfolio.

At the reporting date, for equity investments in the listed companies which are recorded as financial assets at fair value through other comprehensive income, an increase/decrease of 10% in the share price could increase/decrease \$489 and \$375 for the years ended 31 December 2023 and 2022, respectively.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a financial loss may be triggered when a counterparty defaults its obligations. The Group is exposed to credit risk from operating activities (primarily for, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

The Group mitigates credit risks by implementing the Group's credit policy, procedures and controls. Credit limits are set for all counter parties based on their financial positions, credit ratings, historical experience, prevailing economic condition and the Group's internal rating criteria etc. For dealing with some counterparties with less credit, certain financial instruments of credit enhancement, such as advance receipts or a letter of credit, may be required to be provided to mitigate possible credit risk exposures.

As of 31 December 2023 and 2022 accounts receivable from top ten customers represent 67% and 54% of the total accounts receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from deposits in banks, fixed income securities and other financial instruments is managed by the Group's treasury division in accordance with the Group's policy. The Group only deals with counterparties that are approved through internal control procedures; therefore, the counterparties are limited to banks, financial institutions, companies or government entities with good credit standing.

The Group would write down or write off values of financial assets if these are forecasted to be least possible to be collected in the case of the issuer or debtor being insolvent or in financial distress.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity, including contractual interests. The undiscounted interest payment due from borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>>= 5 years</u>	<u>Total</u>
<u>As of 31 December 2023</u>					
Short-term loans	\$170,084	\$ -	\$ -	\$ -	\$170,084
Notes and accounts payable	185,145	-	-	-	185,145
Long-term loans	199,825	304,442	179,067	283,973	967,307
Lease liabilities	34,784	37,301	23,158	-	95,243
<u>As of 31 December 2022</u>					
Short-term loans	\$307,029	\$ -	\$ -	\$ -	\$307,029
Notes and accounts payable	297,467	-	-	-	297,467
Long-term loans	194,765	464,207	118,939	-	777,911
Lease liabilities	30,079	39,864	19,511	6,857	96,311

Derivative financial assets (liabilities)

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>>= 5 years</u>	<u>Total</u>
<u>As of 31 December 2023</u>					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	-	-	-	-	-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>As of 31 December 2022</u>					
Inflows	\$109,150	\$ -	\$ -	\$ -	\$109,150
Outflows	(110,236)	-	-	-	(110,236)
Net	<u>\$(1,086)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,086)</u>

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	<u>Short-term loans</u>	<u>Long-term loans (including current portion)</u>	<u>Lease liabilities</u>	<u>Deposit received</u>	<u>Total liabilities from financing activities</u>
As of 1 January 2023	\$298,991	\$746,918	\$93,401	\$ -	\$1,139,310
Cash flows	(136,079)	161,664	(37,408)	-	(11,823)
Non-cash changes	-	-	36,405	-	36,405
As of 31 December 2023	<u>\$162,912</u>	<u>\$908,582</u>	<u>\$92,398</u>	<u>\$ -</u>	<u>\$1,163,892</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total liabilities from financing activities
As of 1 January 2022	\$295,721	\$701,292	\$103,674	\$75	\$1,100,762
Cash flows	3,270	45,626	(33,657)	(75)	15,164
Non-cash changes	-	-	23,384	-	23,384
As of 31 December 2022	<u>\$298,991</u>	<u>\$746,918</u>	<u>\$93,401</u>	<u>\$ -</u>	<u>\$1,139,310</u>

(7) Fair value of financial instruments

A. Valuation methodology and assumptions for fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. The following are the methodology and assumptions taken by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quoted prices (including listed equity securities) at the reporting date.
- (c) Fair value of equity instruments without market quoted prices (including private placement of listed equity securities, unquoted public company and private company equity securities) are valued by market approach which takes industrial comparable entities' quoted market prices or other relevant information as reference to estimate probable fair values.

(d) Fair value of debt instruments without market quoted prices, bank loans, and other non-current liabilities are determined based on the counterparties' prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as interest rates and discount rate are primarily based on relevant information of equivalent instruments (such as yield curves published by the Taipei Exchange, average prices and credit risks for Fixed Rate Commercial Paper published by Reuters, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial instruments, financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 2022 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to mitigate its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Contract Amount	Contract Period
As of 31 December 2023	-	-
As of 31 December 2022		
Forward currency contract	Sell foreign currency USD 3,302 thousand	From 2022.11.10 to 2023.03.31
	Sell foreign currency EUR 139 thousand	From 2022.10.24 to 2023.01.19
	Sell foreign currency CNY 1,035 thousand	From 2022.12.30 to 2023.02.24

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair values of the Group's assets and liabilities are measured at fair value on a recurring basis as follows:

As of 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	<u>\$4,888</u>	<u>\$ -</u>	<u>\$93,831</u>	<u>\$98,719</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	<u>\$3,751</u>	<u>\$ -</u>	<u>\$91,315</u>	<u>\$95,066</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	<u>\$ -</u>	<u>\$1,086</u>	<u>\$ -</u>	<u>\$1,086</u>

Re-classifications between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no re-classifications between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as of 1 January 2023	\$91,315
Total gains and loss recognized for the year ended 31 December 2023:	
Amount recognized in OCI (presented in “Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	2,516
Ending balances as of 31 December 2023	<u>\$93,831</u>
Beginning balances as of 1 January 2022	\$93,705
Total gains and loss recognized for the year ended 31 December 2022:	
Amount recognized in OCI (presented in “Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	(2,390)
Ending balances as of 31 December 2022	<u>\$91,315</u>

Information on significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy

Significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy are as follows:

As of 31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Correlation between inputs and fair value	Sensitivity Analysis of correlation between inputs and fair value
Financial assets: Financial assets at fair value through other comprehensive income Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit or loss by \$9,383

As of 31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Correlation between inputs and fair value	Sensitivity Analysis of correlation between inputs and fair value
Financial assets: Financial assets at fair value through other comprehensive income Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's profit or loss by \$9,132

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's treasury division is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent reasonable prices. The team analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December					
	2023			2022		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$8,336	30.71	\$255,999	\$14,665	30.71	\$450,362
CNY	7,102	4.33	30,752	5,346	4.41	23,576
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$2,991	30.71	\$91,854	\$4,347	30.71	\$133,496

The Group had \$785 and \$52,156 foreign exchange gain for the years ended 31 December 2023 and 2022, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) Information at significant transactions

A. Financing provided: None.

B. Endorsement/Guarantee provided: None.

C. Securities held as at end of the period (excluding subsidiaries and associates):

Holding Company	Type and name of securities	"Relationship	Financial statement account	As of 31 December, 2023				Note	
				Shares	Carrying amount	"Percent age of	Shares		
SUNKO INK CO., LTD.	Stock	CHING FENG HOME FASHIONS. CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	219,666	\$3,365	0.13%	\$4,888	
		LINCO TECHNOLOGY CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	490,794	4,068	0.80%	4,995	
		THE FIRST LEASING CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	2,852,325	25,930	12.96%	30,875	
		TOTAL ACRYLIC POLYMER INDUSTRY (TAPI) CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	100,000	1,000	2.00%	15,461	
		GLOBAL GRAPHENE GROUP, INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	6,155	16,405	0.87%	-	
		YAYI CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	368,898	4,883	1.85%	-	
		SAR TECHNOLOGY INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	4,250,000	42,500	5.18%	42,500	
		KING SHINE EE TECHNOLOGY ENTERPRISE CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	1,000	10	0.01%	-	
	POWER RICH	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	1	-	0.05%	-	Note	
			Less: Unrealized gains (loss) from investments in equity instruments		558				
			Total		\$98,719				

Note: The Company lost significant influence on the company in November 2023, and the investment was reclassified as financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None
- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None
- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None
- G. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20% of the capital stock for the period: None.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of capital stock as at end of the period: None.
- I. Transaction of derivative financial instruments:

Please refer to Note 12(8).

- J. Significant intercompany transactions among consolidated entities are as follows:

None.

(2) Information on investees

Investees' names, locations, main businesses and products, original investment amount, investment as at end of the period, net income (loss) of the investees and investment income (loss) recognized for the period:

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (in thousands)	Percentage of ownership (%)	Carrying value			
The Company	Power Rich	Anguilla	Investment Services	\$ - (USD 1)	30,403 (USD 990,000)	-	-	\$ -	\$ -	\$(3,884)	Note2

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (in thousands)	Percentage of ownership (%)	Carrying value			
The Company	Bnkc Biochemical Technology Co.	Taiwan	Wholesale of Chemical Raw Material, wholesale of Cosmetics, and Retail of Cosmetics	\$ -	\$490	-	-	\$ -	\$ -	\$3,834	Note3
The Company	Sunko Biotech Co.	Taiwan	Biotechnology Services	\$60,000	\$60,000	1,674,044	22.32%	\$ -	\$ -	\$ -	
The Company	Chen Chi Technology Co.	Taiwan	Synthetic resin and plastic manufacturing	\$14,360	\$14,360	1,640,000	41.00%	\$ -	\$ -	\$ -	
The Company	Kuo Ching Development Corporation	Taiwan	Wholesale of chemical solvents, industrial additives, other raw materials with derivative products	\$2,000	\$2,000	200,000	100%	\$2,555	\$(1,964)	\$(1,964)	
The Company	Blessingthoughts	Taiwan	Drinks, and food vending	\$ 15,200	\$15,200	-	-	\$ -	\$ -	\$ -	Note1

Note1: Liquidation of Blessingthoughts was closed on 14 April 2023.

Note2: The Company lost significant influence on the company in November 2023, and the investment was reclassified as financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

Note3: The Company sold its investment in this company in November 2023.

(3) Information on investments in Mainland China

Significant transactions incurred from the invested company in Mainland China, either directly or indirectly through a third territory: None.

(4) Information on major shareholders

Shares	Number of shares held	Shareholding ratio
Names of major shareholders		
Macy Investment Company, Limited	16,838,191	9.10 %
KT Investment Company, Limited	10,801,010	5.84 %

14. Operating segment information

(1) Segment revenue and operating results

The Group's business is mainly engaged in the manufacture, processing and trading of various plant protection drug progenitors, specialty chemicals and plastic raw materials, etc. The operating decision makers of the Group review the overall operating results of the Group with a single operating unit to make decisions on the Group's resources and evaluate the overall performance of the Group, without distinguishing between departments, so it is a single operating department.

(2) Geographic information

(i) As of 31 December 2023 and 2022 the Group's external sales are listed as follows:

Area	For the years ended 31 December	
	2023	2022
Taiwan	\$1,447,821	\$2,046,110
United States	254,526	205,512
Asia	198,431	327,656
Europe	138,110	252,613
Other	146,783	176,663
Total	<u>\$2,185,671</u>	<u>\$3,008,554</u>

Sales by region are summarized based on the regions where the customers are located at.

(ii) Non-current asset:

Area	As of 31 December	
	2023	2022
Taiwan	\$1,651,484	\$1,754,433

(a) Information about major customers

None.

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To SUNKO INK CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of SUNKO INK CO., LTD. (the "Company") as of 31 December 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2023 and 2022, and their parent company only financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of notes and accounts receivable

As of 31 December 2023, the Company's gross notes and accounts receivable and allowance for loss amounted to \$428,084 and \$1,710 respectively. Net notes and accounts receivable accounted for 11% of total assets that could have significant impact on the financial statements. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Company, and the adoption of provision policy requires significant management judgement, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of allowance for loss policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; investigating accounts receivable details, recalculating the reasonableness of allowance for loss based on the expected credit companies, and the expected loss rate by management assessing; evaluating individually the reasonableness of the impairment of accounts receivable long overdue and its collection in subsequent period. We also assessed the adequacy of disclosures of accounts receivable. Please refer to Notes 5 and 6 of the financial statements.

Inventory valuation

As of 31 December 2023, the Company's net inventories amounted to \$879,655 accounting for 24% of the total assets. The estimation of allowance for inventory valuation loss and obsolescence loss was based on inventories of the raw materials and finished goods. The estimation basis of inventory valuation based on the effect of products physical characteristic on quality, and the demand of products within a particular period in the future, the allowance for inventory valuation loss and obsolescence loss could be affected by management judgement. We therefore determined this a key audit matter.

Our audit procedures included, but were not limited to: assessing the effectiveness of obsolescence inventory internal control and the inventory valuation policy established by management, assessing stocktaking plan and selecting important storage locations to observe inventory counts to ensure quantities and status; obtaining inventory aging intervals to test whether the aging reports were reasonable; testing the unit cost and selling prices of inventories, sampled related certificates of purchases and sales to access the reasonableness of the net realizable value of inventories.

We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

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

/s/Chen, Ming Hung

/s/Huang, Tzu Ping

Ernst & Young, Taiwan

5 March 2024

Notice to Readers

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

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2023	2022
Current assets			
Cash and cash equivalents	4,6(1)	\$500,353	\$432,370
Financial assets measured at amortized cost - current	4,6(2)	-	100,000
Notes receivable, net	4,6(14)	25,495	17,653
Accounts receivable, net	4,6(3)&(14)	426,374	551,259
Inventories, net	4,6(4)	879,655	1,062,167
Prepayments		52,358	62,140
Other current assets	12	1,138	1,189
Total current assets		<u>1,885,373</u>	<u>2,226,778</u>
Non-current assets			
Financial assets at fair value through other comprehensive income -non-current	4,13	98,719	95,066
Financial assets measured at amortized cost - non current	4,6(2)&8	2,800	2,800
Investments accounted for under the equity method	4,6(5)	2,555	23,974
Property, plant and equipment	4,6(6)&8	1,477,896	1,556,541
Right-of-use assets	4,6(15)&7	93,501	94,730
Intangible assets	4	2,049	15,117
Deferred tax assets	4,6(19)	80,642	77,265
Prepayment for equipment		61,972	60,584
Net defined benefit, non-current		1,648	-
Other non-current assets	4	16,067	27,460
Total non-current assets		<u>1,837,849</u>	<u>1,953,537</u>
Total Assets		<u>\$3,723,222</u>	<u>\$4,180,315</u>

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS (Continued)
31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2023	2022
Current liabilities			
Short-term loans	4,6(7)	\$162,912	\$298,991
Contract liabilities, current	4,6(13)	25,305	81,385
Notes payable		226	281
Accounts payable		184,919	297,186
Other payables	6(8)	168,466	176,080
Current tax liabilities	4	-	7,830
Lease liabilities, current	4,6(15)&7	33,539	28,948
Current portion of long-term loans	4,6(9)	195,927	191,470
Other current liabilities	12,13	205	1,281
Total current liabilities		<u>771,499</u>	<u>1,083,452</u>
Non-current liabilities			
Long-term loans	4,6(9)	712,655	555,448
Deferred tax liabilities	4,6(19)	72,514	74,746
Lease liabilities, non-current	4,6(15)&7	58,859	64,453
Net defined benefit obligation, non-current	4,6(10)	-	4,170
Total non-current liabilities		<u>844,028</u>	<u>698,817</u>
Total liabilities		<u>1,615,527</u>	<u>1,782,269</u>
Equity			
Capital			
Common stock	6(12)	1,848,841	1,848,841
Additional paid-in capital	6(12)	42,255	42,255
Retained earnings	6(12)		
Legal reserve		86,893	80,019
Special reserve		3,366	1,205
Unappropriated earnings		125,782	429,092
Other equity		558	(3,366)
Total equity		<u>2,107,695</u>	<u>2,398,046</u>
Total Liabilities and Equity		<u>\$3,723,222</u>	<u>\$4,180,315</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2023	2022
Operating revenues	4,6(13)&7	\$2,185,670	\$2,976,358
Operating costs	6(16)	(2,247,942)	(2,752,806)
Gross profit		(62,272)	223,552
Operating expenses	6(16)		
Selling and marketing expense		(57,950)	(66,115)
General and administrative expense		(90,179)	(97,306)
Research and development expense		(47,468)	(49,847)
Expected credit (loss) gain	6(14)	(175)	3,048
Total operating expenses		(195,772)	(210,220)
Operating (loss) gain		(258,044)	13,332
Non-operating income and expenses	6(17),7		
Interest revenue		2,934	1,221
Other income		9,692	14,409
Other gains and loss		(28,164)	46,029
Finance costs		(20,063)	(17,130)
Share of profit or loss of subsidiaries, associates and joint ventures	4,6(5)	(2,014)	9,471
Total non-operating income and expenses		(37,615)	54,000
(Loss) income from continuing operations before income tax		(295,659)	67,332
Income tax benefit (expense)	4,6(19)	17,692	(6,002)
Net (loss) income		(277,967)	61,330
Other comprehensive (loss) income	6(18)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		2,591	9,261
Unrealized gains or loss from equity instruments investments measured at fair value through other comprehensive income		3,653	(2,893)
Income tax relating to items that will not be reclassified subsequently		(411)	(1,852)
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income (loss) of associates and joint ventures which may be reclassified subsequently to profit or loss		473	915
Income tax relating to items that may be reclassified subsequently		(202)	(183)
Total other comprehensive income, net of tax		6,104	5,248
Total comprehensive (loss) income		(271,863)	56,578
Earnings (loss) per share (NT dollars)	4,6(20)		
(Loss) Earnings per share-basic		\$(1.50)	\$0.33
(Loss) Earnings per share-diluted		\$(1.50)	\$0.33

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

		Total Equity								Total Equity
		Retained Earnings					Other components of Equity			
		Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Loss on Financial Assets Measured at Fair Value through other Comprehensive Income	Treasury stock	
Balance as of 1 January 2022	6(12)	\$1,889,952	\$41,930	\$80,019	\$5,624	\$355,934	\$(1,003)	\$(202)	\$(40,786)	\$2,331,468
Appropriation and distribution of 2021 retained earnings										
Reversal of special reserve					(4,419)	4,419				-
Net income for the year ended 31 December 2022						61,330				61,330
Other comprehensive income (loss), net of tax for the year ended 31 December 2022	6(18)					7,409	732	(2,893)		5,248
Total comprehensive income (loss)		-	-	-	-	68,739	732	(2,893)	-	66,578
Written off treasury shares	6(11)	(41,111)	325						40,786	-
Balance as of 31 December 2022		<u>\$1,848,841</u>	<u>\$42,255</u>	<u>\$80,019</u>	<u>\$1,205</u>	<u>\$429,092</u>	<u>\$(271)</u>	<u>\$(3,095)</u>	<u>\$-</u>	<u>\$2,398,046</u>
Balance as of 1 January 2023	6(12)	\$1,848,841	\$42,255	\$80,019	\$1,205	\$429,092	\$(271)	\$(3,095)	\$-	\$2,398,046
Appropriation and distribution of 2022 retained earnings										
Legal reserve	6(12)			6,874		(6,874)				-
Special reserve	6(12)				2,161	(2,161)				-
Common stock cash dividend						(18,488)				(18,488)
Net loss for the year ended 31 December 2023						(277,967)				(277,967)
Other comprehensive income (loss), net of tax for the year ended 31 December 2023	6(18)					2,180	271	3,653		6,104
Total comprehensive income (loss)		-	-	-	-	(275,787)	271	3,653	-	(271,863)
Balance as of 31 December 2023		<u>\$1,848,841</u>	<u>\$42,255</u>	<u>\$86,893</u>	<u>\$3,366</u>	<u>\$125,782</u>	<u>\$-</u>	<u>\$558</u>	<u>\$-</u>	<u>\$2,107,695</u>

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SUNKO INK CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December			For the years ended 31 December	
	2023	2022		2023	2022
Cash flows from operating activities:					
Net (loss) income before tax	\$(295,659)	\$67,332	Cash flows from investing activities:		
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:			Acquisition of financial assets measured at amortized cost	-	(100,000)
Depreciation (include record other gains and loss)	253,212	258,979	Proceeds from disposal of financial assets measured at amortized cost	100,000	-
Amortisation (include record other gains and loss)	8,539	7,040	Proceeds from investments accounted for using equity method	1,715	-
Expected credit loss (gain)	175	(3,048)	Disposal of subsidiaries	-	615
Net (gain) loss of financial assets/liabilities at fair value through profit or loss	(1,086)	1,516	Acquisition of property, plant and equipment	(80,352)	(75,721)
Finance costs	20,063	17,130	Proceeds from disposal of property, plant and equipment	236	1,099
Interest revenue	(2,934)	(1,221)	Acquisition of intangible assets	(782)	(4,672)
Dividend income	(5,579)	(10,195)	Increase in other non-current assets	6,724	5,465
Share of profit or loss of subsidiaries, associates and joint ventures	2,014	(9,471)	Increase in prepayment for equipment	(53,175)	(65,341)
Loss on disposal of property, plant and equipment	476	3,137	Dividends received	14,981	664
Loss on disposal of investments	3,182	-	Net cash used in by investing activities	(10,653)	(237,891)
Impairment loss on non-financial assets	11,164	-			
Other	94	321	Cash flows from financing activities:		
Changes in operating assets and liabilities:			Increase in short-term loans	457,905	1,085,633
(Increase) decrease in notes receivable	(7,842)	14,215	Decrease in short-term loans	(593,984)	(1,082,363)
Decrease in accounts receivable	123,527	200,234	Increase in long-term loans	492,633	320,000
Decrease (increase) in inventories, net	182,512	(248,826)	Decrease in long-term loans	(330,969)	(274,374)
Decrease (increase) in prepayments	9,782	(1,430)	Cash payments for the principle portion of the lease liability	(37,408)	(33,657)
(Increase) decrease in other current assets	(317)	144	Increase in other non-current liabilities	-	(75)
Decrease (increase) in contract liabilities	(56,080)	81,382	Cash dividends paid	(18,488)	-
Decrease in notes payable	(55)	(178)	Net cash (used in) provided by financing activities	(30,311)	15,164
Decrease in accounts payable	(112,267)	(31,314)	Net increase in cash and cash equivalents	67,983	68,876
Decrease in other payables	(12,471)	(39,693)	Cash and cash equivalents at beginning of year	432,370	363,494
Increase (decrease) in other current liabilities	10	(128)	Cash and cash equivalents at end of year	500,353	432,370
Decrease in net defined benefit obligation, noncurrent	(3,227)	(2,977)			
Cash generated from operations	117,233	302,949			
Interest received	3,217	926			
Dividends received	5,579	10,195			
Interest paid	(20,806)	(15,893)			
Income tax paid	3,724	(6,574)			
Net cash provided by operating activities	108,947	291,603			

(The accompanying notes are an integral part of the parent company only financial statements)

SUNKO INK CO., LTD.

Notes to Parent Company Only Financial Statements

For the years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, unless Otherwise Stated)

1. General

Sonko Ink Co., Ltd. (hereinafter “the Company”) was incorporated in December 1974. The Company is engaged in manufacturing and trading of certain chemicals or industrial materials. Major product lines are as follows:

- a. Argochemicals
- b. Fine Chemicals: curing agent, non-halogenated flame retardant, reducing agent, antioxidant
- c. Polymer: PU Based surface treating agent, Polymer-TPU, Polymer-TPV
- d. UV Absorbers

In May 1996, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE), when the registered office was located at No. 139, Renmei Rd., Dali Dist., Taichung City 412036, Taiwan (R.O.C.). On 30 April 2020, as approved by Ministry of Economic Affairs, the Company’s registered operating office address was changed to 5F., No. 229, Zhongxing St., West Dist., Taichung City 403022, Taiwan (R.O.C.).

On 30 March 2016, the Company merged with Kuo Ching Chemical Co., Ltd. (hereinafter “Kuo Ching”). Kuo Ching was incorporated in April 1977, mainly engaged in production and trading of agrochemicals, fine chemicals, and other polymer materials. In October 2009, Kuo Ching’s shares was listed on the Emerging Stock Board. To improve efficiency and competitive capabilities, the Company merged with Kuo Ching on 30 March 2015 to integrate both entities’ production capacities, research resources, marketing and product lines. The Company was the surviving Company which acquired all of Kuo Ching’s assets, liabilities, rights or obligations.

2. Date and procedures of authorization of financial statements for issue

The parent Company only financial statements of the Company for the years ended 31 December 2023 and 2022 were approved to release in accordance with a resolution of the board of directors’ meeting on 5 March 2024.

3. Newly issued or revised standards and interpretations

- (4) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Company.

- (5) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2024 have no material impact on the Company.

- (6) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and loss arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021.

The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Company.

4. Summary of material accounting policies

(4) Statement of Compliance

The parent Company only financial statements of the Company for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(5) Basis of Preparation

The Company prepared the parent Company only financial statements in accordance with the Regulations. According to the Article 21 of the Regulation, which provided that the profit or loss and other comprehensive income for the period presented in the parent Company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent Company only financial statements shall be the same as the equity attributable to the parent Company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent Company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent Company only financial statements are expressed in thousands of New Taiwan Dollars (NT\$) unless otherwise stated.

(6) Foreign currency transactions

The Company's parent Company only financial statements are presented in its functional currency, New Taiwan Dollars (NT\$). Items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(23) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(24) Current and Non-current Distinction

An asset is classified as current when:

- E. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- F. The Company holds the asset primarily for the purpose of trading;
- G. The Company expects to realize the asset within twelve months after the reporting period;
- H. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

- E. The Company expects to settle the liability in normal operating cycle;
- F. The Company holds the liability primarily for the purpose of trading;
- G. The liability is due to be settled within twelve months after the reporting period;
- H. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(25) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(26) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

F. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or loss.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (d) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or loss and foreign exchange gains and loss, until the financial asset is derecognized or reclassified.
- (e) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (f) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (iii) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (iv) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or loss resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

G. Impairment of financial assets

The Company recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit loss of a financial instrument in a way that reflects:

- (d) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (e) the time value of money
- (f) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (e) At an amount equal to 12-month expected credit loss: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (f) At an amount equal to the lifetime expected credit loss: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (g) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit loss.
- (h) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit loss.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

H. Derecognition of financial assets

A financial asset is derecognized when:

- (d) The rights to receive cash flows from the asset have expired.
- (e) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (f) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

I. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments*.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or loss on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

J. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(27) Derivative instruments

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(28) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- C. In the principal market for the asset or liability, or
- D. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(29) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost under weighted average cost method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(30) Investments accounted for under the equity method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent Company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent Company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis. The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 "Consolidated financial statements" and application of IFRS to different reporting entities, debit/credit "Investment accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures" or "Share of other comprehensive profit or loss of subsidiaries, associates and joint ventures" etc.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale.

An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional loss are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and loss resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (c) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (d) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(31) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Estimated economic lives
Land improvements	7~20 years
Buildings	2~60 years
Machinery and equipment	2~25 years
Transportation equipment	5~8 years
Other equipment	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(32) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (c) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (d) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (f) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (g) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (h) amounts expected to be payable by the lessee under residual value guarantees;
- (i) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (j) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (e) the amount of the initial measurement of the lease liability;
- (f) any lease payments made at or before the commencement date, less any lease incentives received;
- (g) any initial direct costs incurred by the lessee; and
- (h) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment loss. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the related rental concessions that occurred as a direct result of the COVID-19 pandemic, the Company chose not to assess whether it was a lease modification, but instead treated the rental concessions as changes in lease payments, and applied this practical expedient on all eligible rental concessions.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(33) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment loss, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(34) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or Company's of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment loss relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(35) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's parent Company only financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and loss, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(36) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(37) Treasury shares

The Company buys back its parent Company's equity instruments (treasury shares) that are recognized at cost as a deduction item under equity. The valuation difference resulted from transactions of treasury shares is reported under equity.

(38) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells fitness equipment. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the customer obtains the right and carrying value of the goods). The sales of goods transactions of the revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

The credit period of the Company's sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company collects the payments when contracts signed-off and has the obligations to transfer the goods or provide the services, these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

(39) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(40) Income Tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- C. The deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, when affects neither the accounting profit nor taxable profit or loss, does not give rise to equivalent taxable and deductible temporary differences.
- D. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax loss, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax loss can be utilized, except:

- C. The deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination when the transaction, affects neither the accounting profit nor taxable profit or loss, does not give rise to equivalent taxable and deductible temporary differences.
- D. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future with sufficient taxable profit against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgements, estimates and assumptions

In preparation of the Company's consolidated financial statements, the Company's management is required to make judgments, estimates and assumptions at the end of the reporting period that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties from these assumption and estimate may result in a material adjustment to the carrying amount of relevant assets or liabilities in future periods.

Major resources or factors that are the bases of estimates or assumptions are with uncertainties. Significant risks may exist that may result in material adjustments on the carrying amounts of assets or liabilities in future reporting periods. Major estimate factors are listed as follows:

F. Accounts receivables—estimate of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit loss. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that are expected to receive (by evaluating forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(3) and (13) for more details.

G. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, wholly or partially obsolete, or with downward selling prices. The estimates are based on the most reliable evidence available at the time the estimates are made. Refer to Note 6 (4)for details.

H. The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation Techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

I. Pension Benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate and expected salary raise/cut or changes. Please refer to Note 6(10) for more details.

J. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company make provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by different jurisdictional tax authorities. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company entities' domicile.

Deferred tax assets are recognized to the extent where tax loss carryforward, tax credits and deductible temporary differences that are probable with foreseeable taxable profit being available, can be utilized. The amount of deferred tax assets is estimated based upon the likely timing of utilizing taxable temporary differences and forecasted taxable profits as well as future tax planning strategies.

6. Contents of significant accounts

(5) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$102	\$100
Petty cash	245	245
Demand deposits	500,006	432,025
Total	<u>\$500,353</u>	<u>\$432,370</u>

(6) Financial assets measured at amortized cost

	As of 31 December	
	2023	2022
Time deposits with maturity over three months	\$ -	\$100,000
Pledged time deposits	2,800	2,800
Subtotal	2,800	102,800
Less: loss allowance	-	-
Total	<u>\$2,800</u>	<u>\$102,800</u>
Current	\$ -	\$100,000
Non-current	2,800	2,800
Total	<u>\$2,800</u>	<u>\$102,800</u>

For further information on financial assets measured at amortized cost pledged as collateral and on credit risk, please refer to Note 8 and Note 12 (4), respectively.

(7) Accounts receivable, net

	As of 31 December	
	2023	2022
Accounts receivable(Total)	\$428,084	\$551,612
Less: loss allowance	(1,710)	(353)
Subtotal	426,374	551,259
Accounts receivable- related parties	-	-
Total	<u>\$426,374</u>	<u>\$551,259</u>

Accounts receivable were not pledged.

The collection period is generally net 30~150 days. The carrying amount of

accounts receivable of 31 December in both 2023 and 2022 has been assessed with a high likelihood of collection. Please refer to Note 6 (13) for more details regarding loss allowance of accounts receivables for the year periods ended December 2023 and 2022. Please refer to Note 12 (4) for more details on credit risk management.

100% credit loss provision is reserved for account receivables which are deemed with least possibility to be collected. As of 31 December 2023, and 2022, the receivables with 100% loss allowances being reserved amounted to \$26,981 and \$28,163, respectively.

(8) Inventories, net

	As of 31 December	
	2023	2022
Raw materials	\$291,578	\$411,426
Work in progress	74,793	20,761
Finished goods	506,684	626,649
Merchandise	6,600	3,331
Total	<u>\$879,655</u>	<u>\$1,062,167</u>

The cost of inventories recognized as cost of sales for the years ended 31 December 2023 and 2022 amounted to \$2,247,942 and \$2,752,806, respectively. The expenses resulted from inventory write-downs were recorded as \$4,274 and \$37,003 for the years ended 31 December 2023 and 2022, respectively.

No inventories were pledged.

(6) Investments accounted for under the equity method

Details of investments accounted for under the equity method are as follows:

Investees	As of 31 December			
	2023		2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Power Rich International Limited (Power Rich)	\$ -	-	\$3,411	30.00%
Bnkc Biochemical Technology Company, Limited (Bnkc Biochemical Technology Co.)	-	-	3,044	49.00%

Investees	As of 31 December			
	2023		2022	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Sunko Biotech Company, Limited (Sunko Biotech Co.)	-	22.32%	-	22.32%
Chen Chi Technology Company, Limited (Chen Chi Technology Co.)	-	41.00%	-	41.00%
	-		6,455	
Investments in subsidiaries:				
Kuo Ching Development Corp. (KuoChing Development)	2,555	100%	17,519	100%
Subtotal	2,555		17,519	
Total	\$2,555		\$23,974	

The Company's share of loss of Sunko Biotech Co. and Chen Chi Technology Co. equaled its interest in Power Rich, Sunko Biotech Co. and Chen Chi Technology Co. Therefore, the Company is not obliged to recognize its share of further loss.

In July 2021, the Company established a subsidiary, Kuo Ching Development Corp. Blessingthoughts Co. Ltd. was liquidated on 12 April 2023. In November 2023, the Company disposed of its investment in Bnkc Biochemical Technology Company at the sale price of \$1,715. In November 2023, the Company lost significant influence over the investment in Power Rich, therefore from the date when significant influence was lost, the investment was transferred to financial assets measured at fair value through other comprehensive income — non-current. For information about the Company's subsidiaries, please refer to Note 4.(3) of the Company's consolidated financial statements for the year ended 31 December 2023.

- (3) The details of investments recognized as profit and loss in 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Power Rich	\$(3,884)	\$(7,964)
Bnkc Biochemical Technology Co.	3,834	2,201
KuoChing Development	(1,964)	15,234
Total	<u>\$(2,014)</u>	<u>\$9,471</u>

- (4) The details of the exchange differences on translation of foreign financial statements in 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Power Rich	<u>\$473</u>	<u>\$915</u>

- (5) Investments in associates

The Company's investment in subsidiaries is expressed in "Investments Accounted for Using Equity Method" in the individual financial report and necessary evaluation adjustments are made. Since the investment had no significant impact on the Company's financial statements, it was recognized based on the investee Company's financial statements within the same fiscal accounting period, that have not been audited by an independent auditor.

- (6) Investments in associates

The Company's investments in Power Rich are not significant. The investments are valued based on the investee's financial statements within the same fiscal accounting period. The investments in associates had no contingent liabilities or capital commitments as of 31 December 2023 and 2022. The investments have not been pledged as collaterals.

(20) Property, plant and equipment

	Land	Land improvements	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress	Total
Cost:								
As of 1 January 2023	\$465,109	\$3,083	\$996,770	\$2,496,797	\$16,240	\$329,640	\$1,180	\$4,308,819
Additions	-	-	11,245	62,211	111	12,385	-	85,952
Disposals	-	-	(405)	(10,898)	-	(3,634)	-	(14,937)
Reclassification	-	-	3,929	46,572	-	2,466	(1,180)	51,787
As of 31 December 2023	\$ 465,109	\$3,083	\$1,011,539	\$2,594,682	\$16,351	\$340,857	\$ -	\$4,431,621
Depreciation and impairment:								
As of 1 January 2023	\$ -	\$2,179	\$545,337	\$1,953,624	\$11,590	\$239,548	\$ -	\$2,752,278
Depreciation	-	132	45,651	148,448	864	20,577	-	215,672
Disposals	-	-	(405)	(10,219)	-	(3,601)	-	(14,225)
As of 31 December 2023	\$ -	\$2,311	\$590,583	\$2,091,853	\$12,454	\$256,524	\$ -	\$2,953,725
Cost:								
As of 1 January 2022	\$465,109	\$3,083	\$967,406	\$2,456,759	\$16,485	\$317,093	\$6,914	\$4,232,849
Additions	-	-	12,669	50,097	301	9,466	-	72,533
Disposals	-	-	(5,695)	(26,314)	(675)	(13,389)	-	(46,073)
Reclassification	-	-	22,390	16,255	129	16,470	(5,734)	49,510
As of 31 December 2022	\$465,109	\$3,083	\$996,770	\$2,496,797	\$16,240	\$329,640	\$1,180	\$4,308,819
Depreciation and impairment:								
As of 1 January 2022	\$ -	\$2,047	\$501,714	\$1,821,435	\$11,424	\$231,871	\$ -	\$2,568,491
Depreciation	-	132	49,095	154,756	841	20,800	-	225,624
Disposals	-	-	(5,472)	(22,567)	(675)	(13,123)	-	(41,837)
As of 31 December 2022	\$ -	\$2,179	\$545,337	\$1,953,624	\$11,590	\$239,548	\$ -	\$2,752,278
Net carrying amount:								
As of 31 December 2023	\$465,109	\$772	\$420,956	\$502,829	\$3,897	\$83,333	\$ -	\$1,477,896
As of 31 December 2022	\$465,109	\$904	\$451,433	\$543,173	\$4,650	\$90,092	\$1,180	\$1,556,541

- (a) There is no capitalization of interest due to purchase of property, plant and equipment for the years ended 31 December 2023 and 2022.
- (b) Components of buildings that have different useful lives are the main building structure and air condition equipment and elevators, which are depreciated over 60 years and 5 years and 15 years, respectively. Machinery and equipment that have different useful lives are new reaction equipment, piping equipment, and production equipment for expansion, etc., which are depreciated over 10 years and 5 years and 7 years, respectively.
- (c) As of 31 December 2023 and 2022, due to legal restrictions, part of the lands belonging to agricultural lands were recorded in the Company's accounts and the amount temporarily registered in the name of another person amounted to \$7,011 without differences. The Company obtained the certificates of other rights for each of the lands.
- (d) Please refer to Note 8 for property, plant and equipment pledged as collateral.

(21) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	\$162,912	\$298,991
	As of 31 December,	
	2023	2022
Interest rates applied for unsecured bank loans	1.70%~6.71%	1.34%~6.18%

The Company's open short-term lines of credit facilities were \$755,572 and \$704,791 as of 31 December 2023 and 2022, respectively.

(22) Other payables

	As of 31 December	
	2023	2022
Accrued payroll	\$68,745	\$74,955
Accrued expense of pollution remediation	29,608	32,989
Payables on equipment	8,631	3,031
Accrued employees' compensation	-	2,104
Accrued directors' compensation expense	-	701
Other expense	61,482	62,300
Total	\$168,466	\$176,080

(23) Long-term loans

(1) Details of long-term loans as at 31 December 2023 and 2022 are as follows:

Lenders	As of 31 December 2023	As of 31 December 2022	Redemption
Mega International Commercial Bank secured bank loans	\$ -	\$92,650	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
First Commercial Bank secured bank loan	33,280	66,640	Repayable quarterly from 24 March 2022 to 24 December 2024. Principle is repaid in 12 quarterly installments.
First Commercial Bank secured bank loan	49,960	83,320	Repayable quarterly from 5 August 2022 to 5 May 2025. Principle is repaid in 12 quarterly installments.
First Commercial Bank secured bank loan	100,000	100,000	Repayable quarterly from 7 January 2025 to 7 October 2027. Principle is repaid in 12 quarterly installments.
Chang Hwa Commercial Bank unsecured loan	28,125	50,625	Repayable quarterly from 24 June 2021 to 24 March 2025. Principle is repaid in 16 quarterly installments.
Mega International Commercial Bank unsecured loan	-	70,850	Repayable quarterly from 26 December 2016 to 26 December 2024. Principle is repaid in 33 quarterly installments.
Taipei Fubon Bank unsecured loan	17,500	27,500	Repayable quarterly from 1 December 2020 to 1 September 2025. Principle is repaid in 20 quarterly installments.
O-Bank unsecured loan	24,111	31,000	Repayable quarterly from 15 July 2023 to 15 July 2025. Principle is repaid in 9 quarterly installments.
O-Bank unsecured loan	69,223	89,000	Repayable quarterly from 15 July 2023 to 15 July 2025. Principle is repaid in 13 quarterly installments.
Taiwan Cooperative Bank unsecured loan	-	35,333	From 21 March 2020 to 21 December 2023, an advance repayment of the current period was \$5,500, and remaining balance was divided into sixteen installments with three months being one installment. Principle is repaid in 16 quarterly installments.

Lenders	As of 31 December 2023	As of 31 December 2022	Redemption
Taiwan Cooperative Bank unsecured loan	93,750	100,000	Repayable quarterly from 19 November 2023 to 19 August 2027. Principle is repaid in 16 quarterly installments.
Hua Nan Ban unsecured loan	100,000	-	Repayable quarterly from 26 December 2024 to 26 September 2028. Principle is repaid in 16 quarterly installments.
Bank of Taiwan unsecured loan	50,000	-	Repayable quarterly from 29 June 2024 to 29 March 2030. Principle is repaid in 24 quarterly installments.
Mega International Commercial Bank secured bank loan	300,000	-	Repayable quarterly from 26 December 2025 to 26 December 2033. Principle is repaid in 33 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	16,900	-	Repayable quarterly from 25 January 2024 to 25 October 2028. Principle is repaid in 20 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	9,200	-	Repayable quarterly from 25 January 2024 to 25 October 2033. Principle is repaid in 40 quarterly installments.
E.Sun Commercial Bank, Ltd. unsecured loan	16,533	-	Repayable quarterly from 25 January 2024 to 25 October 2033. Principle is repaid in 40 quarterly installments.
Subtotal	908,582	746,918	
Less: current portion	(195,927)	(191,470)	
Total	\$712,655	\$555,448	
	As of 31 December		
	2023	2022	
Interest rates applied	1.88%~2.30%	1.51%~1.83%	

(2) Please refer to Note 8 for property, plant and equipment pledged as collateral for long-term loans.

(24) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were \$17,397 and \$17,750, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 6.6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions on the assumption that workers meeting retirement terms will be retiring within the coming year, the Company shall make one-time contribution to the fund to eliminate the difference before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$3,475 to its defined benefit plan during the 12 months beginning after 31 December 2023.

The average duration of the defined benefits plan obligation as of 31 December 2023, was 7 years.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Current service costs	\$232	\$356
Interest expense	30	103
Gains arising from settlement	(155)	-
Total	<u>\$107</u>	<u>\$459</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of 31 December	
	2023	2022
Defined benefit obligation	\$64,358	\$67,533
Plan assets at fair value	(66,006)	(63,363)
Book amount of net defined benefit (assets) liability	<u>\$(1,648)</u>	<u>\$4,170</u>

Reconciliation of liability (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2022	\$78,306	\$(61,898)	\$16,408
Current period service costs	356	-	356
Net interest expense (income)	542	(439)	103
Subtotal	<u>79,204</u>	<u>(62,337)</u>	<u>16,867</u>
Remeasurement of the defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	13	-	13
Actuarial gains and loss arising from changes in financial assumptions	(3,147)	-	(3,147)
Experience adjustments	(723)	-	(723)
Remeasurements of the defined benefit assets	-	(5,404)	(5,404)
Subtotal	<u>(3,857)</u>	<u>(5,404)</u>	<u>(9,261)</u>
Benefits paid	(7,814)	7,814	-
Contributions by employer	-	(3,436)	(3,436)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 31 December 2022	67,533	(63,363)	4,170
Current period service costs	232	-	232
Gains arising from settlement	(155)	-	(155)
Net interest expense (income)	834	(804)	30
Subtotal	<u>68,444</u>	<u>(64,167)</u>	<u>4,277</u>
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and loss arising from changes in demographic assumptions	(5)	-	(5)
Actuarial gains and loss arising from changes in financial assumptions	247	-	247
Experience adjustments	(2,237)	-	(2,237)
Remeasurements of the defined benefit assets	-	(596)	(596)
Subtotal	<u>(1,995)</u>	<u>(596)</u>	<u>(2,591)</u>
Settlement or curtailment	(2,091)	2,091	-
Benefits paid	-	(3,334)	(3,334)
As of 31 December 2023	<u>\$64,358</u>	<u>\$(66,006)</u>	<u>\$(1,648)</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of 31 December	
	2023	2023
Discount rate	1.20%	1.25%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of 31 December 2023 and 2022 is as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$ -	\$1,162	\$ -	\$1,360
Discount rate increase by 0.10%	-	469	-	549
Discount rate decrease by 0.10%	475	-	556	-
Discount rate decrease by 0.25%	1,198	-	1,404	-
Future salary increase by 0.25%	1,185	-	1,390	-
Future salary decrease by 0.25%	-	1,156	-	1,354

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and assumptions for preparing sensitivity analyses was consistent with those in the prior fiscal period.

(25)Equity

E. Common stock

As of 1 January 2022 the Company's authorized capital was \$2,500,000, divided into 250,000 thousand shares with par value of NTD10 each. The number of issued shares was 188,995 thousand shares, and the paid-in capital was \$1,899,952.

The Company's board of directors approved to write off the treasury share on the meeting dated 16 December 2021. The applicable closing date of capital reduction was 19 January 2022. The amount of capital reduction was \$41,111 and 4,111 thousand shares were eliminated. The modification of registration was completed on 7 February 2022.

The Company's authorized capital was \$2,500,000 as of 31 December 2023, the number of issued shares was 184,884 thousand shares with par value NTD10 each, and the paid-in capital was \$1,848,841.

In August 2007, May and December 2012, the Company issued 30,000 thousand shares, 5,000 thousand shares and 5,000 thousand shares of private placement, respectively, in accordance with Article 43-6 of the Securities Exchange Act. The closing dates of the capital increase were 7 August 2007, 30 October, and 5 December 2012. The above private shares were canceled in October 2009 as a result of a capital reduction to offset the accumulated loss, with 12,449 thousand shares canceled in proportion to the shareholding ratio. In March 2016, 5,000 thousand private shares were canceled due to the merger. In December 2020 3,383 thousand shares were canceled as a result of the capital reduction in cash refund to the shareholders.

The above private shares and their subsequent allocations are based on the delivery date of the private securities in accordance with the third paragraph of Article 43-8 of the Securities Exchange Act (26 October 2007; 5 December 2012; 10 January 2013). After three years of holding such shares, the holders may apply for approval to the governing authority under Securities Exchange Act and other relevant regulations. The shares may be freely transferred in the open market after obtaining said approval.

As of 31 December 2023, the number of outstanding private 19,168 thousand shares with par value is 10 per share, and the public offering process has not yet been processed.

F. Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a Company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

	As of 31 December	
	2023	2022
Treasury share transactions	\$25,170	\$25,170
Premium from merger	15,188	15,188
Adjustments arising from changes in percentage of ownership in subsidiaries	1,897	1,897
Total	\$42,255	\$42,255

G. Distribution of retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be appropriated in the following order:

- (f) Income tax obligation
- (g) Offsetting accumulated deficits, if any
- (h) Set aside 10% as legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.
- (i) Set aside or reserve special reserve in accordance with law and regulations.
- (j) In combining the balance with the accumulated undistributed surplus of the previous period, the board of directors shall prepare a proposal for earnings distribution and submit it to the shareholders' meeting for a resolution distributing dividends to shareholders.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa- Zi 1100150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. The Company's special reserve resulted from first-time adoption of IFRS on 1 January 2012 (adoption date) was \$0.

Details of the 2023 and 2022 earnings distribution and dividends per share as being approved and resolved by the Board of Directors' meeting and shareholders' meeting on 5 March 2024 and 14 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$ -	\$6,874		
Recognition (reversal) of special reserve	(3,366)	2,161		
Common stock cash dividend	-	18,488	\$ -	\$0.1

Please refer to Note 6 (15) for further details on employees' compensation and remuneration to directors.

(26) Operating revenue

The Company's revenue mainly come from selling products the Company manufactured. Analysis of revenue from contracts with customers during the years ended 31 December 2023 and 2022 are as follows:

E. Disaggregation of revenue

	For the years ended 31 December	
	2023	2022
Sale of goods	\$2,185,670	\$2,976,358

The Company recognizes revenues when control of the products is transferred to customers. Revenues are earned and reported at the time that respective contract criteria are met.

F. Contract balance

Contract liabilities – current

	As of		
	31 December 2023	31 December 2022	1 January 2022
Sales of goods	\$25,305	\$81,385	\$3

The movement in the Company's balances of contract liabilities for the years ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Revenue recognized from opening balance	\$(81,385)	\$(3)
Increase in advance receipt within the period (excluding the amount being recognized as periodical revenues)	25,305	81,385

G. Transaction price allocated to unfulfilled contract obligations

None.

H. Assets recognized from costs to fulfil a contract with customers

None.

(27) Expected credit (loss) gains

	For the years ended 31 December	
	2023	2022
Operating expenses – Expected credit (loss) gains		
Accounts receivable	\$(175)	\$3,048

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (includes Notes receivable、Accounts receivable and Overdue receivables) at an amount equal to lifetime expected credit loss. The assessment of the Company's loss allowance as of 31 December 2023 and 2022 are as follows:

31 December 2023

	Not yet due (note)	Overdue					Total
		<=30 days	31-90 days	91-180 days	181-365 days	>=365 days	
Gross carrying amount	\$436,482	\$17,097	\$ -	\$ -	\$ -	\$26,981	\$480,560
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(1,710)	-	-	-	(26,981)	(28,691)
Net carrying amount	\$436,482	\$15,387	\$ -	\$ -	\$ -	\$ -	\$451,869

31 December 2022

	Not yet due (note)	Overdue					Total
		<=30 days	31-90 days	91-180 days	181-365 days	>=365 days	
Gross carrying amount	\$565,738	\$3,527	\$ -	\$ -	\$ -	\$28,163	\$597,428
Loss rate	-%	5-10%	15-20%	40-60%	70-90%	100%	
Life time expected credit loss	-	(353)	-	-	-	(28,163)	(28,516)
Net carrying amount	\$565,738	\$3,174	\$ -	\$ -	\$ -	\$ -	\$568,912

Note: The Company's notes receivable are not overdue.

The movement in the impairment provision of notes receivable、accounts receivable and overdue receivables for the years ended 31 December 2023 and 2022 is as follows:

	Notes receivable	Accounts receivable	Overdue Receivables	Total
As of 1 January 2023	\$ -	\$353	\$28,163	\$28,516
Provision (Reversal)	-	1,357	(1,182)	175
Transfer (out)in	-	-	-	-
As of 31 December 2023	\$ -	\$1,710	\$26,981	\$28,691

	Notes receivable	Accounts receivable	Overdue Receivables	Total
As of 1 January 2022	\$ -	\$17,885	\$13,679	\$31,564
Provision (Reversal)		(1,774)	(1,274)	(3,048)
Transfer (out)in	-	(15,758)	15,758	-
As of 31 December 2022	\$ -	\$353	\$28,163	\$28,516

(28) Leases

E. The Company is a lessee

The Company leases various properties, including land, buildings, transportation equipment and other equipment. The lease terms range from 2 to 10 years.

The impact of Company's leases on the financial position, financial performance and cash flows is as follows:

(b) Amounts recognized in the balance sheet

(i) Right-of-use asset

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2023	\$85,232	\$91,263	\$3,125	\$664	\$180,284
Additions	1,837	37,987	2,478	-	42,302
Disposals	(237)	(43,811)	(2,426)	(556)	(47,030)
As of 31 December 2023	\$86,832	\$85,439	\$3,177	\$108	\$175,556

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2023	\$34,293	\$48,844	\$1,896	\$521	\$85,554
Depreciation	10,012	26,122	1,316	90	37,540
Disposals	(237)	(37,866)	(2,426)	(510)	(41,039)
As of 31 December 2023	\$44,068	\$37,100	\$786	\$101	\$82,055

Cost:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2022	\$84,450	\$91,131	\$7,637	\$894	\$184,112
Additions	782	21,903	699	-	23,384
Disposals	-	(21,771)	(5,211)	(230)	(27,212)
As of 31 December 2022	<u>\$85,232</u>	<u>\$91,263</u>	<u>\$3,125</u>	<u>\$664</u>	<u>\$180,284</u>

Depreciation and impairment:

	Land	Buildings	Transportation equipment	Other equipment	Total
As of 1 January 2022	\$25,146	\$47,936	\$5,716	\$613	\$79,411
Depreciation	9,147	22,679	1,391	138	33,355
Disposals	-	(21,771)	(5,211)	(230)	(27,212)
As of 31 December 2022	<u>\$34,293</u>	<u>\$48,844</u>	<u>\$1,896</u>	<u>\$521</u>	<u>\$85,554</u>

Net carrying
amount:

As of 31 December 2023	<u>\$42,764</u>	<u>\$48,339</u>	<u>\$2,391</u>	<u>\$7</u>	<u>\$93,501</u>
As of 31 December 2022	<u>\$50,939</u>	<u>\$42,419</u>	<u>\$1,229</u>	<u>\$143</u>	<u>\$94,730</u>

(iii) Lease liabilities

	As of December 31	
	2023	2022
Current	\$33,539	\$28,948
Non-Current	58,859	64,453
Total	<u>\$92,398</u>	<u>\$93,401</u>

Please refer to Note 6(14)(d) for the interest expense regarding with lease liabilities recognized during the years ended 31 December 2023 and 2022. Please refer to Note 12 (5) Liquidity risk management for the maturity analysis on lease liabilities as of 31 December 2023 and 2022.

F. Amounts recognized in the statement of comprehensive income

Depreciation on right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$10,012	\$9,147
Buildings	26,122	22,679
Transportation equipment	1,316	1,391
Other equipment	90	138
Total	<u>\$37,540</u>	<u>\$33,355</u>

G. Income (gain) or expense (loss) relating with leases

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$3,218</u>	<u>\$6,394</u>

H. Cash outflow related to lessee and lease activity

During the years ended 31 December 2023 and 2022, the Company's total cash outflows for leases amounting to \$42,174 and \$41,377.

(29) Summary of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

Function Nature	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expenses						
Salaries	\$270,108	\$87,915	\$358,023	\$281,937	\$91,733	\$373,670
Labor and health insurance	29,997	9,795	39,792	29,218	8,894	38,112
Pension	13,294	4,210	17,504	13,789	4,347	18,136
Directors' remuneration	-	1,685	1,685	-	2,459	2,459
Other employee benefits expense	17,316	3,587	20,903	17,949	4,123	22,072
Depreciation	236,195	17,017	253,212	241,456	17,523	258,979
Amortization	2,991	3,547	6,538	1,183	4,398	5,572

The number of employees of the Company in 2023 and 2022 were 505 and 509, respectively. , including 4 non-employee directors, respectively.

The Company's average employee benefit expenses for 2023 and 2022 were \$871 and \$895, respectively.

The Company's average employee salary expenses for 2023 and 2022 were \$715 and \$740, respectively.

The Company's average employee salary expenses in 2023 decreased by approximately 3.38%, compared to 2022.

The Company has set up an audit committee to replace the supervisor in accordance with the regulations.

Article 19 of the Company's articles of incorporation stipulates that when directors perform their duties in the Company, regardless of the Company's operating profit or loss, the Company shall pay remuneration to the directors. The board shall determine the remuneration according to the industry level and negotiated according to the value of their participation in the Company's operations and contribution. Article 30 of the Company's articles of association provides that the director's remuneration shall be determined at a rate of no more than 1% when profits are made in the current year and refer to the results of director's performance evaluation as the basis for individual remuneration. The amount of director's remuneration shall be submitted to the general meeting of shareholders after the resolution of the board of directors is passed.

The Company's remuneration principle is to provide market-competitive remuneration to attract and cultivate talents in the long term. The Company formulates "Salary Management Measures" and "Employee Performance Appraisal Procedures" as the basis for evaluation by mainly referring to the salary level in the inter-industry market. Furthermore, the Company considers the overall operating conditions and profitability levels to determine reasonable remuneration based on the results of performance appraisals. The related performance appraisal results and remuneration reasonableness are reported to the compensation committee and the board of directors for review.

According to the Articles of Incorporation, at least 3% of profit of the current year shall be appropriated as employees' compensation, and no higher than 1% of profit of the current year shall be appropriated as remuneration to board directors, however, the accumulated deficits, if any, shall first be made up for. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

As of 31 December 2023, and for the year then ended, the Company concluded as net operating loss, and accordingly no employees' compensation and remuneration to board directors have been appropriated.

On 14 March 2023, the Company's board directors passed the resolution to pay remuneration of employees and directors in \$2,104 and \$701 respectively. There are no differences in the amounts stated as expenses in the 2022 financial reports.

(30) Non-operating income and expenses

E. Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	\$2,934	\$1,221

F. Other income

	For the years ended 31 December	
	2023	2022
Dividend income	\$5,579	\$10,195
Rental income	572	679
Others	3,541	3,535
Total	\$9,692	\$14,409

G. Other gains and loss

	For the years ended 31 December	
	2023	2022
Foreign exchange gain, net	\$1,385	\$50,722
Loss on disposal of property, plant and equipment	(476)	(3,137)
Impairment loss – Goodwill	(11,164)	-
Loss on disposal of investments	(3,182)	-
Gains (loss) Gains on valuation of financial assets at fair value through profit or loss (Note)	1,086	(1,516)
Others expense	(15,813)	(40)
Total	\$(28,164)	\$46,029

Note: Generated as financial assets or liabilities were measured at fair value through profit or loss.

H. Finance costs

	For the years ended 31 December	
	2023	2022
Interest on bank loans	\$(18,515)	\$(15,804)
Interest on lease liabilities	(1,548)	(1,326)
Total	<u>\$(20,063)</u>	<u>\$(17,130)</u>

(31) Components of other comprehensive income (loss)

C. For the year ended 31 December 2023

	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensiv e income (loss), before tax	Income tax effect	Other comprehensiv e income (loss), net of tax
Items not to be reclassified to profit or loss subsequently:					
Remeasurements of defined benefit plans	\$2,591	\$ -	\$2,591	\$(411)	\$2,180
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	3,653	-	3,653	-	3,653
Items that may be reclassified to profit or loss subsequently:					
Share of other comprehensive income of associates accounted for under the equity method	473	-	473	(202)	271
Total of other comprehensive income	<u>\$6,717</u>	<u>\$ -</u>	<u>\$6,717</u>	<u>\$(613)</u>	<u>\$6,104</u>

D. For the year ended 31 December 2022

	Arising during the period	Reclassificatio n adjustments during the period	Other comprehensiv e income (loss), before tax	Income tax effect	Other comprehensiv e income (loss), net of tax
Items not to be reclassified to profit or loss subsequently:					
Remeasurements of defined benefit plans	\$9,261	\$ -	\$9,261	\$(1,852)	\$7,409
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income					
Items that may be reclassified to profit or loss subsequently:					
Share of other comprehensive income of associates accounted for under the equity method	(2,893)	-	(2,893)	-	(2,893)
	915	-	915	(183)	732
Total of other comprehensive income	<u>\$7,283</u>	<u>\$ -</u>	<u>\$7,283</u>	<u>\$(2,035)</u>	<u>\$5,248</u>

(32) Income tax

For the years ended 31 December 2023 and 2022 the major components of income tax (expense) benefit are as follows:

E. Income tax recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax benefit (expense):		
Current income tax charge	\$ -	\$ -
Adjustments in respect of current income tax of prior periods	11,470	-
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	5,953	10,458
Deferred tax relating to origination and reversal of tax loss and tax credit	269	(16,460)
Total income tax benefit (expense)	<u>\$17,692</u>	<u>\$(6,002)</u>

F. Income tax related to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred income tax (expense) benefit:		
Share of other comprehensive income of associates accounted for under the equity method	\$(202)	\$(183)
Remeasurements of defined benefit plans	(411)	(1,852)
Income tax related to components of other comprehensive income	<u>\$(613)</u>	<u>\$(2,035)</u>

G. Reconciliation between tax expense (benefit) and accounting profit at the Company's applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting (loss) profit before tax from continuing operations	<u>\$(295,659)</u>	<u>\$67,332</u>
At the Company's statutory income rate	\$59,132	\$(13,466)
Tax effect of tax exempt income	1,499	8,974
Tax effect of non-deductible expenses	(2,856)	(102)
Adjustments of deferred tax assets/liabilities for write- downs or reversals	(28,613)	(1,408)
Tax on undistributed earnings	(11,470)	-
Total income tax benefit recognized in profit or loss	<u>\$17,692</u>	<u>\$(6,002)</u>

H. Significant components of deferred tax assets (liabilities) are as follows:

(c) For the year ended 31 December 2023

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	\$(2,232)	\$2,232	\$ -	\$ -
Allowance for inventory valuation loss	23,117	1,455	-	24,572
Pension actuarial adjustment	497	-	(518)	(21)
Land value incremental tax	(72,514)	-	-	(72,514)
Accrued expense of pollution remediation	32,029	-	-	32,029
Share of other comprehensive income of associates accounted for under the equity method	95	-	(95)	-
Loss carry-forward	17,102	269	-	17,371
Others	4,425	2,266	-	6,691
Deferred income tax benefit/(expense)		\$6,222	\$(613)	
Net deferred income tax assets/(liabilities)	\$2,519			\$8,128
Balances on 31 December 2023:				
Deferred tax assets	\$77,265			\$80,642
Deferred tax liabilities	\$(74,746)			\$(72,514)

(d) For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Amortization of Goodwill	\$(2,232)	\$ -	\$ -	\$(2,232)
Allowance for inventory valuation loss	15,717	7,400	-	23,117
Pension actuarial adjustment	2,349	-	(1,852)	497
Land value incremental tax	(72,514)	-	-	(72,514)
Accrued expense of pollution remediation	32,029	-	-	32,029
Share of other comprehensive income of associates accounted for under the equity method	278	-	(183)	95
Loss carry-forward	33,562	(16,460)	-	17,102
Others	1,367	3,058	-	4,425
Deferred income tax benefit/(expense)		\$(6,002)	\$(2,035)	
Net deferred income tax assets/(liabilities)	\$10,556			\$2,519
Balances on 31 December 2022:				
Deferred tax assets	\$85,388			\$77,265

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Deferred tax liabilities	<u>\$(74,832)</u>			<u>\$(74,746)</u>

I. The following table provides the information of the unused loss carry-forward:

Year	Tax loss for the period	Unused tax loss as of		Expiration Year
		31 December 2023	31 December 2023	
2020	\$163,132	\$86,855	\$86,855	2030
2021	76,486	76,486	76,486	2031
2023	233,335	233,335	-	2033
Total	<u>\$472,953</u>	<u>\$396,676</u>	<u>\$163,341</u>	

J. Deferred assets with least possibility to be realized

As of 31 December 2023, and 2022, deductible temporary differences for which no deferred income tax assets have been recognized in amounted to \$79,938 and \$32,229, respectively.

K. Status of income tax returns assessment

As of 31 December 2023, the status of the Company's income tax returns through 2021 have been assessed by tax authorities.

(33) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the years attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

No diluted earnings per share in 2023 shall be accounted for due to that net loss operating loss was concluded for the fiscal

	For the years ended 31 December	
	2023	2022
(1) Basic earnings (loss) per share		
Net (loss) income attributable to the parent Company (in thousands of NTD)	<u>\$ (277,967)</u>	<u>\$ 61,330</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	<u>184,884</u>	<u>184,884</u>
Basic (loss) earnings per share (NTD)	<u>\$ (1.50)</u>	<u>\$ 0.33</u>
	For the years ended 31 December	
	2023	2022
(2) Diluted earnings (loss) per share		
Net (loss) income attributable to the parent Company	<u>\$ (277,967)</u>	<u>\$ 61,330</u>
Effect of dilution on net (loss) income attributable to ordinary stockholders of the Company after dilution	<u>\$ (277,967)</u>	<u>\$ 61,330</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	184,884	184,884
Effect of dilution:		
Employees' compensation (thousand shares)	-	142
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	<u>184,884</u>	<u>185,026</u>
Diluted (loss) earnings per share (NTD)	<u>\$ (1.50)</u>	<u>\$ 0.33</u>

There were no transactions which may significantly change the number of the outstanding ordinary shares from the financial statement date to the date of releasing financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
KT Investment Company, Limited	The Company's director
Macy Investment Company, Limited	The Company's director
Chiaoli Investment Company, Limited	The Company's director
Kuo Ching Development Corp.	The Company's subsidiary

Significant transactions with the related parties

C. Sales

	For the years ended 31 December	
	2023	2022
Kuo Ching Development Corp.	<u>\$34,802</u>	<u>\$89,259</u>

The sales price for related parties and payment condition of the Company's are set by both parties with reference to market conditions.

D. Accounts receivable-related parties

	As of 31 December	
	2023	2022
Kuo Ching Development Corp.	<u>\$17,955</u>	<u>\$2,620</u>

The Company of accounts receivable from related parties were not secured by guarantees, and credit loss provisions were not foreseen.

E. Other receivables

	As of 31 December	
	2023	2022
Kuo Ching Development Corp.	<u>\$ -</u>	<u>\$155</u>

F. Other revenue

	For the years ended 31 December	
	2023	2022
Kuo Ching Development Corp.	<u>\$ -</u>	<u>\$1,366</u>

G. Lease - related parties

(e) Rental income

	For the years ended 31 December	
	2023	2022
KT Investment Company, Limited	<u>\$549</u>	<u>\$549</u>

The Company's leased its plant and building to the said related party, from which rental income and collection were set at arm's length range.

(f) Right-of-use assets

	As of 31 December	
	2023	2022
Macy Investment Company, Limited	\$41,186	\$49,707

(g) Lease liabilities

	As of 31 December	
	2023	2022
Macy Investment Company, Limited	\$41,942	\$50,410

(h) Interest expenses

	For the years ended 31 December	
	2023	2022
Macy Investment Company, Limited	\$675	\$797

H. Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$9,764	\$8,739
Post-employment benefits	248	241
Total	\$10,012	\$8,980

8. Assets pledged as collaterals

The following table lists assets of the Company pledged as collaterals:

	Carrying Amount		
	As of 31 December 2023	As of 31 December 2022	Purpose of pledges
Property, plant and equipment – buildings, machinery and equipment	\$498,607	\$446,552	Long and short-term loans
Financial assets measured at amortized cost	2,800	2,800	Energy resources guarantee
Total	\$501,407	\$449,352	

9. Significant contingencies and derecognized contract commitments

The following items are the contingencies which have not been accrued and recorded on the balance sheet as of 31 December 2023

3. As of 31 December 2023, the amount available under unused letter of credit was \$32,668.

4. As of 31 December 2023, the Company entered into several construction contracts for which the development is in progress. The following provides significant details:

<u>Supplier</u>	<u>Contract Subject</u>	<u>Total Contract Amount</u>	<u>Equipment Payment Made</u>	<u>Unpaid amount as of December 31 2022</u>
Counterparty A	Equipment procurement	\$39,000	\$32,212	\$6,788

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(12) Categories of financial instruments

	As of 31 December	
	2023	2022
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss	\$98,719	\$95,066
Amortized cost of a financial asset:		
Cash and cash equivalents (excluding cash on hand)	500,006	432,025
Measured at amortized cost financial assets	2,800	102,800
Notes receivables	25,495	17,653
Trade receivables	426,374	551,259
Other receivables (Other current assets)	499	604
Subtotal	955,174	1,104,341
Total	<u>\$1,053,893</u>	<u>\$1,199,407</u>

	As of 31 December	
	2023	2022
<u>Financial Liabilities</u>		
Financial liabilities at amortized cost:		
Short-term loans	\$162,912	\$298,991
Notes and accounts payable	185,145	297,467
Other payable	168,466	176,080
Long-term loans (including current portion)	908,582	746,918
Lease liability	92,398	93,401
Subtotal	1,517,503	1,612,857
Financial liabilities at fair value through profit or loss (Other current assets)	-	1,086
Total	<u>\$1,517,503</u>	<u>\$1,613,943</u>

(13) Financial risk management objectives

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant activities, approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(14) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk factor varies independently from other risk factors. A correlation normally exist among risk factors. However, the following sensitivity analyses do not disclose the correlations among these risk factors.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company applies natural hedges on the foreign currency risk arising from purchases or sales as certain portion of receivables or payables are denominated as the same currencies, and utilizes spot or forward exchange contracts to manage foreign currency risk. The Company designates certain forward currency contracts as balance sheet hedges to hedge its exposure to foreign currency exchange risk associated with certain balance sheet assets or liabilities. Hedge accounting is not applied as the aforesaid natural hedges or designated forward contracts to hedge currency risk are deemed ineffective hedges. Furthermore, the currency risk exposures due from investments in oversea associates are not hedges as the investments are set for certain operating strategies.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk mainly resulted from the volatility of exchanging USD, CNY to NTD, and vice versa. The information of the sensitivity analysis is as follows:

- c. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased / increased by \$1,615 and \$3,096, respectively; and no impact on the equity.
- d. When NTD strengthens/weakens against CNY by 1%, the profit for the years ended 31 December 2023 and 2022 is increased / decreased by \$308 and by \$236, respectively; and no impact on the equity.

Interest rate risk

The Company is exposed to interest rate risk arising from borrowing at floating interest rates. Interest rate risk is the risk that the fair value or forecasted cash flows of a financial instrument fluctuates due to the volatility in market interest rates.

The sensitivity analysis of interest rate fluctuation is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting dates, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2023 and 2022 to increased / decreased by \$1,071 and \$1,046, respectively.

Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future performance of equity markets. The Company's equity investments are classified as financial assets at fair value through other comprehensive income. The equity investment portfolio is submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves changes on the equity investment portfolio.

At the reporting date, for equity investments in the listed companies which are recorded as financial assets at fair value through other comprehensive income, an increase/decrease of 10% in the share price could increase/decrease \$489 and \$375 for the years ended 31 December 2023 and 2022, respectively

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(15) Credit risk management

Credit risk is the risk that a financial loss may be triggered when a counterparty defaults its obligations. The Company is exposed to credit risk from operating activities (primarily for, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

The Company mitigates credit risks by implementing the Company's credit policy, procedures and controls. Credit limits are set for all counter parties based on their financial positions, credit ratings, historical experience, prevailing economic condition and the Company's internal rating criteria etc. For dealing with some counterparties with less credit, certain financial instruments of credit enhancement, such as advance receipts or a letter of credit, may be required to be provided to mitigate possible credit risk exposures.

As of 31 December 2023 and 2022, accounts receivables from top ten customers represent 64% and 54% of the total accounts receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from deposits in banks, fixed income securities and other financial instruments is managed by the Company's treasury division in accordance with the Company's policy. The Company only deals with counterparties that are approved through internal control procedures; therefore, the counterparties are limited to banks, financial institutions, companies or government entities with good credit standing.

The Company would write down or write off values of financial assets if these are forecasted to be least possible to be collected in the case of the issuer or debtor being insolvent or in financial distress.

(16) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, including contractual interests. The undiscounted interest payment due from borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>>= 5 years</u>	<u>Total</u>
<u>As of 31 December 2023</u>					
Short-term loans	\$170,084	\$ -	\$ -	\$ -	\$170,084
Notes and accounts payable	185,145	-	-	-	185,145
Long-term loans	199,825	304,442	179,067	283,973	967,307

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>>= 5 years</u>	<u>Total</u>
Lease liabilities	34,784	37,301	23,158	-	95,243

As of 31 December 2022

Short-term loans	\$307,029	\$ -	\$ -	\$ -	\$307,029
Notes and accounts payable	297,467	-	-	-	297,467
Long-term loans	194,765	464,207	118,939	-	777,911
Lease liabilities	30,079	39,864	19,511	6,857	96,311

Derivative financial assets (liabilities)

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>>= 5 years</u>	<u>Total</u>
<u>As of 31 December 2023</u>					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	-	-	-	-	-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of 31 December 2022

Inflows	\$109,150	\$ -	\$ -	\$ -	\$109,150
Outflows	(110,236)	-	-	-	(110,236)
Net	<u>\$(1,086)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,086)</u>

(17) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	<u>Short-term loans</u>	<u>Long-term loans (including current portion)</u>	<u>Lease liabilities</u>	<u>Deposit received</u>	<u>Total liabilities from financing activities</u>
As of 1 January 2023	\$298,991	\$746,918	\$93,401	\$ -	\$1,139,310
Cash flows	(136,079)	161,664	(37,408)	-	(11,823)
Non-cash changes	-	-	36,405	-	36,405
As of 31 December 2023	<u>\$162,912</u>	<u>\$908,582</u>	<u>\$92,398</u>	<u>\$ -</u>	<u>\$1,163,892</u>

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Long-term loans (including current portion)	Lease liabilities	Deposit received	Total liabilities from financing activities
As of 1 January 2022	\$295,721	\$701,292	\$103,674	\$75	\$1,100,762
Cash flows	3,270	45,626	(33,657)	(75)	15,164
Non-cash changes	-	-	23,384	-	23,384
As of 31 December 2022	\$298,991	\$746,918	\$93,401	\$ -	\$1,139,310

(18) Fair value of financial instruments

D. Valuation methodology and assumptions for fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. The following are the methodology and assumptions taken by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (e) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (f) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quoted prices (including listed equity securities) at the reporting date.
- (g) Fair value of equity instruments without market quoted prices (including private placement of listed equity securities, unquoted public Company and private Company equity securities) are valued by market approach which takes industrial comparable entities' quoted market prices or other relevant information as reference to estimate probable fair values.
- (h) Fair value of debt instruments without market quoted prices, bank loans, and other non-current liabilities are determined based on the counterparties prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as interest rates and discount rate are primarily based on relevant information of equivalent instruments (such as yield curves published by the Taipei Exchange, average prices and credit risks for Fixed Rate Commercial Paper published by Reuters, etc.)

E. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial instruments, financial assets and liabilities measured at amortized cost approximate their fair value.

F. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(19) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 is as follows:

Forward currency contracts

The Company entered into forward currency contracts to mitigate its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Contract Amount	Contract Period
As of 31 December 2023	-	-
As of 31 December 2022		
Forward currency contract	Sell foreign currency USD 3,302 thousand	From 2022.11.10 to 2023.03.31
Forward currency contract	Sell foreign currency EUR 139 thousand	From 2022.10.24 to 2023.01.19
Forward currency contract	Sell foreign currency CNY 1,035 thousand	From 2022.12.30 to 2023.02.24

(20) Fair value measurement hierarchy

C. Fair value measurement hierarchy

All asset and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

D. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair values of the Company's assets and liabilities are measured at fair value on a recurring basis as follows:

As of 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	\$4,888	\$ -	\$93,831	\$98,719
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	\$ -	\$ -	\$ -	\$ -

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value	\$3,751	\$ -	\$91,315	\$95,066
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contracts	\$ -	\$1,086	\$ -	\$1,086

Re-classifications between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no re-classifications between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
Beginning balances as of 1 January 2023	\$91,315
Total gains and loss recognized for the year ended 31 December 2023:	
Amount recognized in OCI (presented in “Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	2,516
Ending balances as of 31 December 2023	<u><u>\$93,831</u></u>
Beginning balances as of 1 January 2022	\$93,705
Total gains and loss recognized for the year ended 31 December 2022:	
Amount recognized in OCI (presented in “Unrealized gains (loss) from equity instruments investments measured at fair value through other comprehensive income)	(2,390)
Ending balances as of 31 December 2022	<u><u>\$91,315</u></u>

Information on significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy

Significant unobservable inputs of fair value measurement in Level 3 fair value hierarchy are as follows:

As of 31 December 2023

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Correlation between inputs and fair value</u>	<u>Sensitivity Analysis of correlation between inputs and fair value</u>
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's profit or loss by \$9,383

As of 31 December 2022

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Correlation between inputs and fair value</u>	<u>Sensitivity Analysis of correlation between inputs and fair value</u>
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Asset approach	discount for lack of marketability	30%	The greater degree of lack of marketability, the lower the estimated fair value is determined.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's profit or loss by \$9,132

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's treasury division is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent reasonable prices. The team analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(21) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December					
	2023			2022		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$8,240	30.71	\$253,050	\$14,427	30.71	\$443,053
CNY	7,102	4.33	30,752	5,346	4.41	23,576
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$2,981	30.71	\$91,547	\$4,347	30.71	\$133,496

The Company had \$1,385 and \$50,722 foreign exchange gain for the years ended 31 December 2023 and 2022, respectively.

(22) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(5) Information at significant transactions

K. Financing provided: None.

L. Endorsement/Guarantee provided: None.

M. Securities held as at end of the period (excluding subsidiaries and associates):

Holding Company	Type and name of securities	"Relationship	Financial statement account	As of 31 December 2023				Note
				Shares	Carrying amount	Percentage of	Shares	
SUNKO INK CO., LTD.	Stock CHING FENG HOME FASHIONS. CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	219,666	\$3,365	0.13%	\$4,888	
	LINCO TECHNOLOGY CO. LTD	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	490,794	4,068	0.80%	4,995	
	THE FIRST LEASING CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	2,852,325	25,930	12.96%	30,875	
	TOTAL ACRYLIC POLYMER INDUSTRY (TAPI) CORPORATION	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	100,000	1,000	2.00%	15,461	
	GLOBAL GRAPHENE GROUP, INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	6,155	16,405	0.87%	-	
	YAYI CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	368,898	4,883	1.85%	-	
	SAR TECHNOLOGY INC.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	4,250,000	42,500	5.18%	42,500	
	KING SHINE EE TECHNOLOGY ENTERPRISE CO., LTD.	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	1,000	10	0.01%	-	
POWER RICH	Unrelated party	Financial assets at fair value through other comprehensive income-non-current	1	-	0.05%	-	Note	
			Less: Unrealized gains (loss) from investments in equity instruments		558			
			Total		\$98,719			

Note: The Company lost significant influence on the company in November 2023, and the investment was transferred to financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

- N. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None.
- O. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None.
- P. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock for the period: None.
- Q. Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20% of the capital stock for the period: None.
- R. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of capital stock as at end of the period: None.
- S. Transaction of derivative financial instruments:

Please refer to Note 12(8).

- T. Significant intercompany transactions among consolidated entities are as follows:

None.

(6) Information on investees

Investees' names, locations, main businesses and products, original investment amount, investment as at end of the period, net income (loss) of the investees and investment income (loss) recognized for the period:

Investor Company	Investee Company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee Company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Carrying value			
The Company	Power Rich	Anguilla	Investment Services	\$ - (USD 1)	\$30,403 (USD 990,000)	1	-	\$ -	\$ -	\$(3,884)	Note2
The Company	Bnkc Biochemical Technology Co.	Taiwan	Wholesale of Chemical Raw Material, wholesale of Cosmetics, and Retail of Cosmetics	\$ -	\$490	-	-	\$ -	\$ -	\$3,834	Note3

Investor Company	Investee Company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee Company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Carrying value			
The Company	Sunko Biotech Co.	Taiwan	Biotechnology Services	\$60,000	\$60,000	1,674,044	22.32%	\$ -	\$ -	\$ -	
The Company	Chen Chi Technology Co.	Taiwan	Synthetic resin and plastic manufacturing	\$14,360	\$14,360	1,640,000	41.00%	\$ -	\$ -	\$ -	
The Company	Kuo Ching Development Corp	Taiwan	Wholesale of chemical solvents, industrial additives, other raw materials and their products	\$2,000	\$2,000	200,000	100%	\$2,555	\$(1,964)	\$(1,964)	
The Company	Blessingthoughts	Taiwan	Drinks, and food vending	\$ -	\$15,200	-	-	\$ -	\$ -	\$ -	Note 1

Note1: Liquidation of Blessingthoughts was closed on 14 April 2023.

Note2: The Company lost significant influence on the company in November 2023, and the investment was transferred to financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

Note3: The Company sold its investment in this company in November 2023.

(7) Information on investments in Mainland China

Significant transactions with investee companies in Mainland China directly or indirectly through third parties: None.

(8) Information on major shareholders

Shares	Number of shares held	Shareholding ratio
Names of major shareholders		
Macy Investment Company, Limited	16,838,191	9.10 %
KT Investment Company, Limited	10,801,010	5.84 %

SUNKO INK CO., LTD.

The Contents of Statements of Major Accounting Items

For the year ended 31 December 2023

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SUNKO INK CO., LTD.

1. Statement of Cash and Cash Equivalents

31 December 2023

Unit: Thousands of NTD

Item	Description	Amount	Note
Cash		\$347	
Cash in banks			
Currency deposits	USD \$2,077 exchange rate 30.705	63,781	
	CNY \$4,052 exchange rate 4.327	17,535	
	EUR \$65 exchange rate 33.98	2,218	
	JPY \$17 exchange rate 0.2172	3,656	
Demand deposits		312,816	
Deposits account		100,000	
Total		<u>\$500,353</u>	

SUNKO INK CO., LTD.

2. Statement of Accounts Receivable

31 December 2023

Unit: Thousands of NTD

Client Name	Description	Amount	Note
Client A		\$72,391	
Client B		41,978	
Client C		39,372	
Client D		38,181	
Client E		30,961	
Client F		28,954	
Others (Note)		184,142	
Subtotal		435,979	
Less: loss allowance		(1,710)	
Less: Allowance of loss on exchange		(7,895)	
Total		<u>\$426,374</u>	

(Note) The amount of individual client grouped in others does not exceed 5% of the account balance.

SUNKO INK CO., LTD.

3. Statement of Inventories

31 December 2023

Unit: Thousands of NTD

Item	Description	Cost	Net Realizable Value	Note
Raw materials		\$304,079	\$291,579	Please refer to Note 4.(10) for more details on net realizable value
Work in process		75,836	74,793	
Finished goods		615,273	506,684	
Merchandise		7,327	6,599	
Total		1,002,515	\$879,655	
Less: Allowance for inventory valuation loss		(122,860)		
Net Amount		<u>\$879,655</u>		

SUNKO INK CO., LTD.

4. Statement of Financial Assets at Fair Value Through Other Comprehensive Income, Non-current

For the year ended 31 December 2023

Unit: Thousands of NTD

Name of Securities	As of 1 January 2023		Additions		Decrease		Adjustments	As of 31 December 2023		Accumulated impairment	Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value			
CHING FENG HOME FASHIONS. CO. LTD	214,309	\$3,751	5,357	\$-	-	\$-	\$1,137	219,666	\$4,888	N/A	None	
LINCO TECHNOLOGY CO. LTD	454,439	4,499	36,355	-	-	-	496	490,794	4,995	N/A	None	
THE FIRST LEASING CORPORATION	2,852,325	29,353	-	-	-	-	1,522	2,852,325	30,875	N/A	None	
TOTAL ACRYLIC POLYMER INDUSTRY (TAPI) CORPORATIO	100,000	14,963	-	-	-	-	498	100,000	15,461	N/A	None	
GLOBAL GRAPHENE GROUP, INC.	6,155	-	-	-	-	-	-	6,155	-	N/A	None	
YAYI CO., LTD	368,898	-	-	-	-	-	-	368,898	-	N/A	None	
SAR TECHNOLOGY INC.	4,250,000	42,500	-	-	-	-	-	4,250,000	42,500	N/A	None	
KING SHINE EE TECHNOLOGY ENTERPRISE CO., LTD.	1,000	-	-	-	-	-	-	1,000	-	N/A	None	
POWER RICH	-	-	-	-	-	-	-	1	-	N/A	None	Note
Total		<u>\$95,066</u>		<u>\$-</u>		<u>\$-</u>	<u>\$3,653</u>		<u>\$98,719</u>			

Note: The Company lost significant influence on the company in November 2023, and the investment was reclassified as financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

SUNKO INK CO., LTD.

5. Statement of Changes in Investment Accounted for Using Equity Method

For the year ended 31 December 2023

Unit: Thousands of NTD

Name of Company	1 January 2023		Additions		Decrease		Share of profit or loss of subsidiaries and associates	Exchange Differences on Translation of Foreign Operations	Others	31 December 2023			Collateral	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Percentage of ownership	Amount		
POWER RICH	990,000	\$3,411	-	\$ -	(990,000)	\$ -	\$(3,884)	\$473	\$ -	-	-	\$ -	None	Note3
BNKC BIOCHEMICAL TECHNOLOGY CO.	49,000	3,044	-	-	(49,000)	(6,878)	3,834	-	-	-	-	-	None	Note4
SUNKO BIOTECH CO.	1,674,044	-	-	-	-	-	-	-	-	1,674,044	22.32%	-	None	
CHEN CHI TECHNOLOGY CO.	1,640,000	-	-	-	-	-	-	-	-	1,640,000	41.00%	-	None	
KUO CHING DEVELOPMENT, CORP	200,000	17,519	-	-	-	(13,000)	(1,964)	-	-	200,000	100%	2,555	None	Note2
BLESSINGTHOUGHTS CO.	-	-	-	-	-	-	-	-	-	-	-	-	None	Note1
		<u>\$23,974</u>		<u>\$ -</u>		<u>\$(19,878)</u>	<u>\$(2,014)</u>	<u>\$473</u>	<u>\$ -</u>			<u>\$2,555</u>		

Note1: Liquidation of Blessingthoughts was closed on 14 April 2023.

Note2: The cash dividend received from the investment accounted for using the equity method in this period amounted to \$13,000.

Note3: The Company lost significant influence on the company in November 2023, and the investment was reclassified as financial assets measured at fair value through other comprehensive income from the date of losing significant influence.

Note4: The Company sold its investment in this company in November 2023.

SUNKO INK CO., LTD.

6. Statement of Short-term Loans

31 December 2023

Unit: Thousands of NTD

Type	Lenders	Amount	Contract Period	Range of Interest Rates (%)	Loan Facility	Collateral	Note
Operation purposes	Mega Bank	\$40,579	2023.08.08-2024.06.26	6.30%-6.61%	200,000	None	
Operation purposes	Hua Nan Bank	7,119	2023.12.11-2024.06.14	6.48%-6.53%	200,000	None	
Operation purposes	Taiwan Cooperative Bank	26,137	2023.10.27-2024.06.26	6.34%-6.64%	250,000	None	
Operation purposes	Bank of Taiwan	10,138	2023.11.14-2024.06.14	6.45%-6.67%	200,000	None	
Operation purposes	First Bank	81,551	2023.10.11-2024.05.20	1.70%-6.71%	480,000	None	
	Subtotal	165,524					
	Less: Allowance of gains on exchange	(2,612)					
	Total	<u>\$162,912</u>					

SUNKO INK CO., LTD.

7. Statement of Accounts Payable

31 December 2023

Unit: Thousands of NTD

Supplier Name	Description	Amount	Note
Supplier A		\$28,768	
Supplier B		19,198	
Supplier C		13,312	
Others (Note)		123,839	
Subtotal		185,117	
Less: Allowance of gains on exchange		(198)	
Total		<u>\$184,919</u>	

(Note) The amount of individual supplier in others does not exceed 5% of the account balance.

SUNKO INK CO., LTD.

8. Statement of Operating Revenues

For the year ended 31 December 2023

Unit: Thousands of NTD

Item	Description	Amount	Note
Fine Chemicals		\$1,598,746	
Agrochemicals		326,228	
Polymer-TPU&Polymer-TPV		180,344	
Polymer-PU		70,118	
Others		10,234	
Total		<u>\$2,185,670</u>	

SUNKO INK CO., LTD.

9. Statement of Operating Costs

For the year ended 31 December 2023

Unit: Thousands of NTD

Item	Amount
Direct Raw material	
Beginning balance of raw material	\$426,714
Add: Raw material purchased	1,015,306
Transferred from finished goods	380,743
Less: Ending balance of raw materials	(304,079)
Cost of raw materials sold	(773)
Transferred to expenses	(33,762)
Others	(1,918)
Raw material used	1,482,231
Direct labor	188,713
Manufacturing overheads (Statement 10)	683,708
Manufacturing cost	2,354,652
Add: Beginning balance of work in process	20,941
Outsourcing	8,934
Less: Ending balance of work in process	(75,836)
Transferred to material	(380,743)
Others	(1,439)
Cost of finished goods	1,926,509
Add: Beginning balance of finished goods	726,132
Less: Transferred to expenses	(2,106)
Others	(3,779)
Ending balance of finished goods	(615,273)
Cost of sales of goods manufactured	2,031,483
Add: Beginning balance of merchandise	3,964
Merchandise purchased	23,312
Less: Ending balance of merchandise	(7,327)
Transferred to expenses	(33)
Others	(33)
Cost of sales of goods purchased	2,051,366
Add: Unallocated fixed cost as operating cost	176,139
Cost of raw materials sold	773
Inventory scrapped	4,970
Inventory valuation loss on items of cost lower than market price or obsolescence	7,274
Others	8,735
Less: Revenue from scraps	(1,315)
Operating Costs	2,247,942

SUNKO INK CO., LTD.

10. Statement of Manufacturing Overheads

For the year ended 31 December 2023

Unit: Thousands of NTD

Item	Amount	Note
Depreciation expense	\$236,195	
Indirect labor	118,078	
Utilities expense	116,802	
Fuel cost	65,465	
Insurance expense	50,708	
Waste disposal	50,428	
Packaging fee	39,119	
Others (Note)	180,763	
Subtotal	857,558	
Unallocated fixed cost as operating cost	(173,850)	
Net Amount	\$683,708	

(Note) The amount of individual item in others does not exceed 5% of the account balance.

SUNKO INK CO., LTD.

11. Statement of Operating Expenses

For the year ended 31 December 2023

Unit: Thousands of NTD

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected credit loss	Total	Note
Payroll expense	\$18,910	\$45,086	\$25,604	\$ -	\$89,600	
Insurance expense	1,816	6,492	3,235	-	11,543	
Expected credit gains	-	-	-	175	175	
Operating taxes	7,113	44	-	-	7,157	
Depreciation expense	913	9,094	7,010	-	17,017	
Export/import expense	11,783	-	-	-	11,783	
Professional expense	300	11,047	76	-	11,423	
Others expense (Note)	17,115	18,416	11,543	-	47,074	
Total	\$57,950	\$90,179	\$47,468	\$175	\$195,772	

(Note) The amount of individual item in others does not exceed 5% of the account balance.

- 6 Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliate companies in the most recent year and as of the publication date of this Annual Report:
None.

VII. REVIEW AND ANALYSIS ON FINANCIAL STATUS, FINANCIAL PERFORMANCE, AND RISKS

1 Analysis of Financial Status

1.1 Consolidated (IFRS)

Unit: NT\$ (in thousands)

Year Item	As of 31 December,		Differences	
	2023	2022	Amount	%
Current Assets	1,887,846	2,248,202	(360,356)	(16.03)
Property, plant, equipment	1,477,896	1,556,541	(78,645)	(5.05)
Intangible Assets	2,049	15,117	(13,068)	(86.45)
Other Assets	355,875	364,396	(8,521)	(2.34)
Total Assets	3,723,666	4,184,256	(460,590)	(11.01)
Current Liabilities	771,943	1,087,393	(315,450)	(29.01)
Non-current Liabilities	712,655	555,448	157,207	28.30
Other Liabilities	131,373	143,369	(11,996)	(8.37)
Total Liabilities	844,028	1,786,210	(942,182)	(52.75)
Common Stock	1,848,841	1,848,841	-	-
Additional paid-in capital	42,225	42,255	-	-
Retained Earnings	216,041	510,316	(294,275)	(57.67)
Other equity	558	(3,366)	3,924	116.58
Treasury Stock	-	-	-	-
Non-controlling Interest	-	-	-	-
Total Equity	2,107,695	2,398,046	(290,351)	(12.11)

Analysis of deviation over 20% and amount over NT\$10,000 thousand:

(1) Decrease in treasury stocks: The decrease was mainly because of the cancellation of treasury stocks.

1. The decrease in intangible assets is mainly due to the recognition of impairment losses on goodwill.
2. The decrease in current liabilities is mainly due to reductions in short-term borrowings, current portion of long-term debt, and accounts payable.
3. The increase in long-term liabilities is primarily due to an increase in long-term borrowings.
4. The decrease in retained earnings is mainly attributable to the net loss for the period.

(2) Possible major impacts on the Company's future business: The above deviations had no major impact on SUNKO's financial position and future business.

(3) Future responsive measures: Not applicable.

1.2 Parent Only

Unit: NT\$ (in thousands)

Item	As of 31 December,		Differences	
	2023	2022	Amount	%
Current Assets	1,885,373	2,226,778	(341,405)	(15.33)
Property, plant, equipment	1,477,896	1,556,541	(78,645)	(5.05)
Intangible Assets	2,049	15,117	(13,068)	(86.45)
Other Assets	357,904	381,879	(23,975)	(6.28)
Total Assets	3,723,222	4,180,315	(457,093)	(10.93)
Current Liabilities	771,499	1,083,452	(311,953)	(28.79)
Non-current Liabilities	712,655	555,448	157,207	28.30
Other Liabilities	131,373	143,369	(11,996)	(8.37)
Total Liabilities	1,615,527	1,782,269	(166,742)	(9.36)
Common Stock	1,848,841	1,848,841	-	-
Additional paid-in capital	42,255	42,255	-	-
Retained Earnings	216,041	510,316	(294,275)	(57.67)
Other equity	558	(3,366)	3,924	116.58
Treasury Stock	-	-	-	-
Total Equity	2,107,695	2,398,046	(290,351)	(12.11)

Analysis of deviation over 20% and amount over \$10,000 thousand:

(1) Decrease in stocks: The decrease was mainly because of the cancellation of treasury stocks.

1. The decrease in intangible assets is mainly due to the recognition of impairment losses on goodwill.

2. The decrease in current liabilities is mainly due to reductions in short-term borrowings, current portion of long-term debt, and accounts payable.

3. The increase in long-term liabilities is primarily due to an increase in long-term borrowings.

4. The decrease in retained earnings is mainly attributable to the net loss for the period.

(2) Possible major impacts on the Company's future business: The above deviations had no major impact on SUNKO's financial position and future business.

(3) Future responsive measures: Not applicable.

2 Analysis of Financial Performance

2.1 Analysis of Financial Performance in the last two years

2.1.1 Consolidated

Unit: NT\$ (in thousands)

Item	Year	For the years ended 31 December		Differences	
		2023	2022	Amount	%
Operating Revenues		2,185,671	3,008,554	(822,883)	(27.35)
Operating Costs		2,247,941	2,752,806	(504,865)	(18.34)
Gross Profit		(62,270)	255,748	(318,018)	(124.35)
Operating Expenses		197,764	223,186	(25,422)	(11.39)
Other Operating Gains or Losses		-	-	-	-
Operating Income(Loss)		(260,034)	32,562	(292,596)	(898.58)
Non-operating Income		12,761	61,803	(49,042)	(79.35)
Non-operating Expenses		48,877	22,893	25,984	113.50
Income (Loss) before Income Tax		(296,150)	71,472	(367,622)	(514.36)
Income Tax Expense		18,183	(10,142)	28,325	279.28
Net Income (Loss)		(277,967)	61,330	(339,297)	(553.23)
Other Comprehensive Income, net of tax		6,104	5,248	856	16.31
Total Comprehensive Income		(271,863)	66,578	(338,441)	(508.34)

Analysis of deviation:

- (1) The decrease in operating income is mainly due to overall market demand contraction and intense competition.
- (2) The decrease in gross profit is mainly due to the decrease in operating income.
- (3) The increase in operating loss is primarily due to the decrease in gross profit.
- (4) The decrease in non-operating income is mainly attributed to the decrease in foreign exchange gains.
- (5) The increase in non-operating expenses is mainly due to impairment losses on goodwill and losses from early termination of guarantee purchase contracts.
- (6) The increase in income tax benefits is mainly due to a decrease in undistributed earnings tax and an increase in deferred tax benefits from losses.

2.1.2 Parent Only

Unit: NT\$ (in thousands)

Item	For the years ended 31 December		Differences	
	2023	2022	Amount	%
Operating Revenues	2,185,670	2,976,358	(790,688)	(26.57)
Operating Costs	2,247,942	2,752,806	(504,864)	(18.34)
Gross Profit	(62,272)	223,552	(285,824)	(127.86)
Operating Expenses	195,772	210,220	(14,448)	(6.87)
Other Operating Gains or Losses	-	-	-	-
Operating Income(Loss)	(258,044)	13,332	(271,376)	(203.55)
Non-operating Income	12,626	61,659	(49,033)	(79.52)
Non-operating Expenses	50,241	7,659	42,582	555.97
Income (Loss) before Income Tax	(295,659)	67,332	(362,991)	(539.11)
Income Tax Expense	17,692	(6,002)	23,694	394.77
Net Income (Loss)	(277,967)	61,330	(339,297)	(553.23)
Other Comprehensive Income, net of tax	6,104	5,248	856	16.31
Total Comprehensive Income	(271,863)	66,578	(338,441)	(508.34)

Analysis of deviation:

- (1) The decrease in operating income is primarily attributed to the overall market demand contraction and intense competition.
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2.2 Sales Volume Forecast and Related Information

For additional details, please refer to Page 5.

3 Analysis of Cash Flow

3.1 Liquidity analysis

Unit: %

Item	As of 31 December,		Increase or decrease ratio (%)
	2023	2022	
Cash flow ratio	15.51	27.05	(42.66)
Net cash flow adequacy ratio	61.41	48.58	26.41
Cash reinvestment ratio	1.82	5.37	(66.11)
Explanation:			
(1) Cash flow ratio : The decrease in the cash flow ratio is due to the reduction in net cash inflows from operating activities during the current period.			
(2) Net cash flow adequacy ratio: The decrease in the cash flow ratio is due to the reduction in net cash inflows from operating activities during the current period.			
(3) Cash reinvestment ratio: The decrease was mainly due to decrease in net cash from operating activities.			

3.2 Remedial Actions for Liquidity Shortfall: not applicable.

3.3 Cash Flow Liquidity Projection for the coming year

Unit: NT\$ (in thousands)

Cash Balance 2021.12.31 (1)	Projected net cash provided by operating activities throughout 2022 (2)	Projected cash outflow in 2022 (3)	Projected cash surplus (deficit) (1)+(2)-(3)	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
517,747	49,106	75,481	642,334	-	-
Explanation:					
(1) Operating activities: Net cash inflows as operating activities take place under normal operating condition.					
(2) Investment activities: Net cash outflows mainly due to activities such as disposal of property, plant, and equipment.					
(3) Financing activities: Net cash inflows mainly due to decrease of long-term borrowings.					

- 4 Major Capital Expenditures and Impact on Financial and Business during recent years:
2023 significant capital expenditures are as follows:

Factory	Plan	Impact
Nangang	Exhaust gas treatment system	Environmental regulations strictly require the installation of effluent treatment system.
Chuansing	Renewable energy by electricity generation project	Regulations require the installation of solar energy system.

- 5 Reinvestment policies, main reasons for profits/ losses generated thereby, improvement plans, and investment plans for the coming year:

Reinvestments	Policies	Profits/ losses in 2023	Main Reasons	Improvement plans	Investment plans for the coming year
Blessingthoughts Co. Ltd. (Note)	The purpose of the beverage kiosk is to help the minority group's employment.	-	Sales revenue failed to achieve the economies of scale.	-	-
BNKC BIOCHEMICAL TECHNOLOGY CO., LTD.	Sales of active ingredient for cosmetics.	-	Continuous promotion of new sunscreen products.	-	-
Power Rich	Promotion on using polymer pellets as shoe materials.	-	Sales revenue failed to achieve the economies of scale.	Continually seeking cooperation with internationally famous shoe factories.	-
KUO CHING DEVELOPMENT CORPORATION.	To expand new business of flame retardants.	(1,964)	-	-	-
Subtotal		(1,964)			

Note 1: The dissolution of Assisting Welfare Social Enterprise Co., Ltd. was completed on 14 April 2023.

Note 2: Power Rich International LTD. ceased to have significant influence over the company on November 2023. From the date of loss of significant influence, the investment was reclassified under financial assets measured at fair value through other comprehensive income.

Note 3: National Intelligence Biochemical Co., Ltd. sold its equity investment in the company on November 2023.

6. Risk Assessment

6.1 Impacts of changes in interest rates, foreign exchange rates and inflation on the Company's profit and loss and the corresponding countermeasures:

6.1.1 Interest Rate

The rates of short-term and long-term borrowings change as the market rate alters, and accordingly, affecting the profits of the Company. When the market rate increases/ decreases in 1%, the income before tax goes up/ down in the amount of \pm NT\$1,071 thousand. The Company maintains a good relationship with bank institutions to obtain better exchange rate quotes.

6.1.2 Exchange Rate

The foreign exchange gain amounted to NT\$785 thousand in 2023, mainly due to the fluctuating USD exchange rate. When the rate of NTD to USD fluctuates by 1%, the income before tax goes up/ down in the amount of \$1,642 thousand. Due to the complex circumstances around the globe, the Company may pay up the purchasing expenses with sales revenue in the same functional currency with natural hedge to avert most of the risk and engage in forward contracts to hedge risks to currency exchange fluctuation of its net exposure, and enhance the currency fluctuation risk management, including taking the fluctuating exchange rates into consideration while inquiring and quoting prices and making foreign currency exchange at the appropriate time to minimize the foreign exchange loss.

6.1.3 Inflation:

According to the statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the accumulative average consumer price index was 105.51% in 2023. Therefore, there is no indication of inflation.

6.2 Policies for high-risk, high-leverage investments, capital lending, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and the corresponding countermeasures:

6.2.1 The Company did not engage in any high-risk and high-leverage investments, endorsements, or guarantees in 2023.

6.2.2 The Company engaged in derivatives transactions in the total amount of NT\$308,202 thousand, with a realized gain of NT\$4,158 thousand in 2023. The Company mainly conducted forward exchange transactions, targeting actual foreign currency revenue as hedging instruments, to avoid currency fluctuation risks generated by exports.

6.3 Future Research and development (R&D) projects and estimated R&D expenditures:

The R&D department mainly works on developing new products and improving the production process to advance the products' quality. The Company estimates to invest NT\$47,490 thousand in the continuous R&D process in 2024.

6.4 Impacts of changes in domestic and foreign important policies and laws on the Company's financial operations, and the corresponding countermeasures:

The Company undertook appropriate measures in accordance with applicable regulations and so far there has not been any significant impact on the Company's financial operation.

6.5 Impacts of industry and technology changes to the Company's financial operations, and the

corresponding countermeasures: None.

6.6 Impacts of changes in corporate image on corporate crisis management and the corresponding countermeasures: None.

6.7 Expected benefits and potential risks related to mergers and acquisitions: Not applicable.

6.8 Expected benefits and potential risks of capacity expansion: Not applicable.

6.9 Risks relating to and future countermeasures for the excessive concentration of incoming goods or sales:

6.9.1 Sales: In 2023, our company did not have any major sales customers accounting for more than 10% of our sales, thus avoiding over-reliance on any single customer.

6.9.2 Purchases: The Company's relationships with suppliers remained stable, with most raw materials sourced from two or more suppliers. The highest proportion of purchases from a single supplier in the fiscal year 2023 was 18.60%. This supplier is a well-known domestic petrochemical plant with which our company has maintained a long-term, close, and stable cooperation, hence posing low risk.

6.10 Impacts, risks arising from, and future countermeasures for major large share transfers or changes in shareholdings by Directors, supervisors or major shareholders with shareholding of over 10%: None.

6.11 Effects of, risks relating to and future countermeasures for changes in management rights: None.

6.12 Litigation or non-litigation matters:

For litigations, non-litigations or administrative disputes already judged or currently being judged as to the publication date of this Annual Report, the litigation expense are measured along with the Company's earnings and capital of the past few years. The overall litigation expenses have insignificant impact on the shareholders' interest and the price of the securities.

6.13 Other major risks and future countermeasures:

Cyber Security Risk Assessment:

The three elements of cyber security management are people, processes, and technology. The Company has implemented the following management measures:

People: Annual education and training are provided to enhance job competence and respond to unintentional or intentional cybersecurity incidents.

Processes: The Company has established a sound information internal control process. Internal audits and external audits by accounting firms are conducted annually to check the effectiveness and reliability of the process.

Technology: The Company uses dual data centers for system service backup. The network is managed centrally, and an integrated threat management firewall, endpoint control mechanism, and enterprise-level antivirus software are deployed.

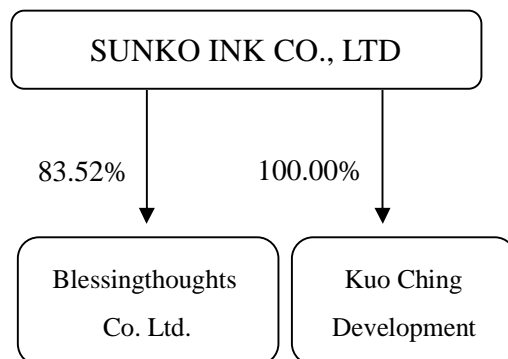
Through the effective operation of the above management measures, the Company's cyber security risks should be under control.

7 Other Material Matters: None.

VIII. SPECIAL NOTES

1 Summary of Affiliated Companies

1.1 Organizational chart of the affiliated companies



Note 1: Pursuant to Article 369-2 of the Company Act, the controlling and affiliation relationship is substantially recognized.

Note 2: Blessingthoughts Co. Ltd completed liquidation on 14 April 2023.

1.2 Basic information of affiliated companies

(Unit expressed in thousands)

Company Name	Date of Incorporation	Address	Capital Stock	Business Activities
Blessingthoughts Co. Ltd. (Note1)	31 March 2016	Taichung, Taiwan	-	Beverage kiosk
Kuo Ching Development Corporation	14 July 2021	Taichung, Taiwan	NT\$2,000	Specialized product trade

Note1: Blessingthoughts Co. Ltd was dissolved on 3 December 2021 and was liquidated on 14 April 2023.

1.3 Directors, Supervisors, and Managers of all affiliated companies

Company Name	Title	Name or Representative	Shareholdings (Note1)	
			Shares	%
Blessingthoughts Co. Ltd. (Note1)	Chairman	Representative of SUNKO INK CO., LTD: CHANG, JUN-PIN	-	-
Kuo Ching Development Corporation	Chairman	HUANG, TING-DI	2,000,000	100.00%

Note1: Blessingthoughts Co. Ltd completed liquidation on 14 April 2023.

1.4 Operational highlights of affiliated companies

(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit	Net Loss	EPS (NT\$) (After-Tax)
Blessingthoughts Co. Ltd.		-	-	-	-	-	-	-
Kuo Ching Development Corporation	2,000	20,955	18,400	2,555	34,802	(1,990)	(1,963)	(9.82)

Note1: Blessingthoughts Co. Ltd completed liquidation on April 14, 2023.

1.5 Consolidated Financial Statements of the affiliated companies:

The financial year of our company for the year 2023 (from January 1, 2023, to December 31, 2023). Pursuant to the Disclosure Guidelines of the Consolidated Operating Report, Financial Statements and Affiliation Report of The Affiliated Companies, the companies that should be incorporated in the consolidated financial statements of affiliated companies are the same as those that should be incorporated in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10. In addition, the related information that must be disclosed in the consolidated financial report of affiliated companies has been fully disclosed in the consolidated financial statements of parent and subsidiary companies. Therefore, the Company is not required to prepare a consolidated financial statements of affiliated companies.

1.6 Reports on affiliated companies: None.

- 2 Private placement of securities in 2023 and as of the date of this annual report shall disclose the following information regarding the approval date and amount, basis and rationale for the price determination, method of selection of specific individuals, necessity for conducting a private placement, target investors, qualification criteria, subscription quantity, relationship with the company, participation in the company's operations, actual subscription (or conversion) price, difference between the actual subscription (or conversion) price and the reference price, impact on shareholders' equity due to the private placement, utilization of funds from the stock or purchase price until the completion of the fund utilization plan, utilization of funds for the securities issued in the private placement, progress of plan execution, and demonstrated plan benefits: None
- 3 Holding or disposal of the Company's shares by the subsidiaries of the most recent year as of the publication date of this Annual Report: None.
- 4 Other necessary supplementary matters to be included: None.

IX. ANY EVENTS IN 2023 AND AS OF THE PUBLICATION DATE OF THIS ANNUAL REPORT THAT HAD MATERIAL IMPACTS ON SHAREHOLDERS' EQUITY OR SECURITIES PRICES AS STATED IN ARTICLE 36-2-2 OF SECURITIES AND EXCHANGE LAW OF TAIWAN: NONE.



SUNKO INK CO., LTD

Chairman: HUANG, TING-DI