

Honmyue Enterprise Co., Ltd.

Parent Company Only Financial Statements for the
Years Ended December 31, 2023 and 2022 and

Independent Auditors' Report

(Stock Code :1474)

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HONMYUE ENTERPRISE CO., LTD.

Parent Company Only Financial Statements for the Years
Ended December 31, 2023 and 2022 and
Independent Auditors' Report

Table of Contents

<u>Item</u>	<u>Page</u>
I. Cover Page	1
II. Table of Contents	2
III. Independent Auditors' Report	3~7
IV. Parent Company Only Balance Sheet	8~9
V. Parent Company Only Statements of Comprehensive Income	10
VI. Parent Company Only Statements of Changes in Equity	11
VII. Parent Company Only Statements of Cash Flows	12~13
VIII. Parent Company Financial Statement Notes	14~65
1. The History of the Company	14
2. Approval date and procedures of the parent company only financial statements	14
3. Application of New Standards, Amendments and Interpretations	14~15
4. Summary of Significant Accounting Policies	15~24
5. Significant Accounting Assumptions, Judgments and Major Sources of Estimates	25
6. Explanation of Significant Accounting Items	25~49
7. Related Party Transactions	50~53
8. Pledged Assets	53
9. Material Contingent Liabilities and Unrecognized Contractual Commitments	53
10. Significant Disaster Loss	53
11. Significant Subsequent Events	53
12. Other	54~63
13. Disclosures	64
14. Segment Information:	64
IX. Table of Significant Accounts	65~86

Independent Auditors' Report

(2024) Ministry of Finance approved No. 23004631

The Board of Directors and Shareholders

Honmyue Enterprise Co., Ltd.

Opinion

We have conducted an audit on the parent company only financial statements of Honmyue Enterprise Co., Ltd. (referred to as "Honmyue") for the year ended December 31, 2023 and 2022, which include the parent company only balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the period from January 1 to December 31, 2023 and 2022. We have also reviewed the notes to the individual financial statements, which contain a summary of significant accounting policies.

In our opinion, the parent company only financial statements presented herein, which were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," fairly present the parent company only financial position of Honmyue as of December 31, 2023 and 2022, as well as its parent company only financial performance and parent company only cash flows for the period from January 1 to December 31, 2023 and 2022, in all material respects.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibility under these standards is explained further in the section titled "Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements." Our firm's staff members subject to independence requirements comply with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China and have maintained their independence from Honmyue, fulfilling other ethical responsibilities as per the Codes. We are of the opinion that we have obtained sufficient and appropriate audit evidence to support our opinion.

Key Audit Matter

Key audit matters refer to those matters that, in our professional judgment, were most significant in the audit of Honmyue's parent company only financial statements for the year 2023. These matters were addressed as part of our overall audit of the individual financial statements, and we do not express a separate opinion on them.

The key audit matters for Honmyue's individual financial statements for the year 2023 are as follows:

Cutoff Point for Revenue Recognition

Description

For accounting policies on revenue recognition, please refer to Note 4(28) in the Parent Company Only Financial Statements. For statement of operating revenue, please refer to Note 6(21). Honmyue mainly engages in the manufacturing and sales of various cotton, wool, silk, and synthetic fiber textiles. Revenue from sales is recognized when control of the goods is transferred upon arrival at the destination port, based on the terms of the transaction, and is recognized at the end of each month through manual checking of the transaction date and the actual arrival date. This revenue recognition process involves many manual judgments and operations, which may result in revenue being recorded in the wrong period. As this issue also exists in the subsidiary companies held by Honmyue, which are accounted for using the equity method, the cutoff date for revenue from sales is regarded as one of the key audit matters to be audited this year.

Audit Procedures Undertaken in Response to the Matter

Our auditor's main audit procedures performed on the specific aspects described in the key audit matter are as follows:

1. We gained an understanding of and evaluated the sales transaction operation procedures and internal controls, and tested these controls to assess the effectiveness of management's control over the timing of the recognition of sales revenue.
2. We verified sales transactions for a certain period before and after the balance sheet date by checking the transaction documents to confirm that sales transactions were recorded in the appropriate period.

Allowance for Inventory Valuation Losses

Description

Regarding the accounting policies for inventory valuation, please refer to Note 4(12) in the individual financial statements. For the significant accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 in the individual financial statements. For the explanation of inventory provision for impairment, please refer to Note 6(4) in the individual financial statements. As of December 31, 2023, the inventory and allowance for inventory valuation losses of Honmyue amounted to NT\$706,986 thousand and NT\$66,049 thousand, respectively.

Honmyue mainly engages in the manufacturing and sales of various cotton, wool, silk, and

synthetic fiber textiles. For inventory that has been held for a specific period of time or that has been identified as impaired, the Company measures the inventory at cost or net realizable value, whichever is lower, and provides for inventory write-downs based on the usability of inventory that has been identified as obsolete or damaged. Given that the provision for inventory valuation losses has a significant impact on the financial statements of Honmyue and that the valuation of inventory at net realizable value at the balance sheet date requires judgement and estimation, and since the aforementioned matter also exists in the subsidiary companies held by Honmyue accounted for using the equity method, the assessment of the provision for inventory valuation losses is regarded as one of the key audit matters to be audited this year

Audit Procedures Undertaken in Response to the Matter

Our auditor's main audit procedures performed on the specific aspects described in the key audit matter are as follows:

1. Understand the operation and nature of Honmyue, evaluate the reasonableness of its inventory provision policy for assessing inventory impairment losses.
2. Review the annual inventory counting plan of Honmyue and participate in the annual inventory count to assess the effectiveness of management's segregation and control of obsolete inventory.
3. Review the supporting documents related to the inventory aging report to verify the dates of inventory movements, confirm the proper classification of inventory into aging categories, and recalculate the aging report in accordance with the Company's policies.
4. Obtain the net realizable value reports of all inventory items, verify that the calculation logic is consistently applied, test the basis for the estimation of the net realizable value of inventory, including checking supporting documents such as sales prices, purchase prices, etc. Re-calculate and evaluate the reasonableness of the inventory valuation.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for preparing the parent company only financial statements in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining adequate internal controls related to the preparation of the parent company only financial statements to ensure that there are no significant misrepresentations due to fraud or error.

Management is responsible for evaluating Honmyue's ability to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting when preparing the parent company only financial statements, unless management intends to liquidate the

company or cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisory committee) of Honmyue are responsible for overseeing the financial reporting process.

Responsibilities of the Auditor for the Audit of the Parent Company Only Financial Statements

The purpose of our audit of the parent company only financial statements is to obtain reasonable assurance that they are free from material misstatement, whether caused by fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but it does not guarantee that the audit, performed in accordance with ROC GAAS, will always detect a material misstatement when one exists. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, individually or in aggregate, to influence the economic decisions of users based on these financial statements.

As part of our audit in accordance with the ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following procedures:

1. Identify and assess the risks of material misstatement in the parent company only financial statements, whether caused by fraud or error. We design and perform audit procedures that are appropriate to address those risks, and obtain sufficient and appropriate audit evidence to support our opinion. The risk of failing to detect a material misstatement due to fraud is higher than that of one due to error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Design appropriate audit procedures in the given circumstances, and obtain necessary understanding of internal control that is relevant to the audit. However, our objective is not to express an opinion on the effectiveness of the internal control of Honmyue.
3. Evaluate appropriateness of the accounting policies adopted by management, and the reasonableness of the accounting estimates and related disclosures
4. Assess the appropriateness of management's use of the going concern basis of accounting and determine whether any events or conditions exist that may cast significant doubt on Honmyue's ability to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we will draw attention to the related disclosures in the financial statements in our audit report or modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, it should be noted that future events or conditions may lead to the Honmyue's inability to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the related disclosures, and determine whether the parent only financial statements provide a fair representation of the underlying transactions and events in a manner that is appropriate.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Honmyue in order to express an opinion on the parent company only financial statements. We are responsible for directing, supervising and performing the group audit, and for forming an opinion on the parent company only financial statements based on the results of our audit.

We communicate with the governance entity regarding various matters, such as the audit's planned scope and timeline, as well as significant audit findings, which may include significant deficiencies in internal control identified during the audit process.

We also provide those charged with governance with a declaration that the personnel of our accounting firm who are subject to independence requirements have complied with the Code of Ethics for CPAs in the Republic of China concerning independence, and communicate to them any relationships and other matters that may be perceived to affect our independence, as well as any relevant safeguards.

After communicating with those charged with governance, we determine the key audit matters that are of most significance in our audit of Honmyue's parent company only financial statements for the year 2023. We disclose these matters in our audit report, unless it is prohibited by law or regulation or, in exceptional cases. We decide not to communicate a specific matter in our report due to the potential negative impact on the public interest outweighing the benefits of such communication.

PricewaterhouseCoopers Taiwan
Hung, Shu-Hua
CPA
Wang, Yu-Chuan

Former Securities Commission of the Ministry of Finance
Approval -certified No.: (85) Tai-Cai-Certificate (6) 68701
Financial Supervisory Commission
Approval -certified No.: Jin-Guan-Certificate No. 1020028992

March 8, 2024

HONMYUE ENTERPRISE CO., LTD.
Individual Statements of Balance Sheets
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
CURRENT ASSET						
1100	Cash and cash equivalents	6(1)	\$ 281,012	8	\$ 425,310	12
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	180	-
1150	Notes receivable	6(3)	55,301	2	61,565	1
1160	Notes receivables - related parties	7(2)	173	-	82	-
1170	Accounts receivable	6(3)	319,899	9	281,130	8
1180	Accounts receivable - related parties	7(2)	51,844	2	75,729	2
1200	Other receivables		1,247	-	1,449	-
1210	Other receivables - related parties	7(2)	101,745	3	67,776	2
130X	Inventories	6(4)	640,937	18	606,472	17
1410	Prepayments		14,709	-	33,912	1
1470	Other current assets		1,699	-	1,650	-
11XX	Total current asset		<u>1,468,566</u>	<u>42</u>	<u>1,555,255</u>	<u>43</u>
NONCURRENT ASSET						
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(5)	64,638	2	59,718	2
1535	Financial assets carried at amortized cost - noncurrent	6(6), 8	6,800	-	7,100	-
1550	Investment accounted for using equity method	6(7)	1,034,865	30	1,080,826	30
1600	Property, plant and equipment	6(8), 8	772,673	22	793,242	22
1755	Right-of-use assets	6(9)	3,926	-	6,578	-
1760	Investment property, net	6(11), 8	62,518	2	62,863	2
1780	Intangible assets		11,329	-	12,095	-
1840	Deferred tax assets	6(28)	32,964	1	33,933	1
1900	Other noncurrent assets		15,483	1	14,915	-
15XX	Total noncurrent asset		<u>2,005,196</u>	<u>58</u>	<u>2,071,270</u>	<u>57</u>
1XXX	TOTAL ASSET		<u>\$ 3,473,762</u>	<u>100</u>	<u>\$ 3,626,525</u>	<u>100</u>

(Continued)

HONMYUE ENTERPRISE CO., LTD.
Individual Statements of Balance Sheets
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Liabilities and Equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
CURRENT LIABILITIES						
2100	Short-term borrowings	6(12)	\$ 308,849	9	\$ 197,658	6
2110	Short-term notes and bills payable	6(13)	29,923	1	-	-
2130	Current contract liabilities	6(21)	6,126	-	15,711	-
2150	Notes payable		65,978	2	106,887	3
2160	Notes payable - related parties	7(2)	2,372	-	22	-
2170	Accounts payable		184,553	5	119,998	3
2180	Accounts payable - related parties	7(2)	4,583	-	6,134	-
2200	Other payables	6(14), 7(2)	130,771	4	144,101	4
2230	Current income tax liabilities	6(28)	3,079	-	28,072	1
2280	Leasing liabilities - current	6(9)	1,260	-	1,962	-
2320	Long-term liabilities within one year or one business cycle	6(16)	150,000	5	166,667	5
2399	Other current liabilities		4,953	-	809	-
21XX	Total current liabilities		<u>892,447</u>	<u>26</u>	<u>788,021</u>	<u>22</u>
NONCURRENT LIABILITIES						
2530	Bonds payable	6(15)	295,720	8	287,569	8
2540	Long-term loan	6(16)	188,690	5	338,690	9
2570	Deferred tax liabilities	6(28)	67,569	2	68,052	2
2580	Lease liability - noncurrent	6(9)	2,623	-	4,595	-
2600	Other noncurrent liabilities	6(17)	22,700	1	24,366	1
25XX	Total noncurrent liabilities		<u>577,302</u>	<u>16</u>	<u>723,272</u>	<u>20</u>
2XXX	Total liabilities		<u>1,469,749</u>	<u>42</u>	<u>1,511,293</u>	<u>42</u>
EQUITIES						
Capital						
3110	Common shares	6(18)	1,298,970	38	1,298,970	36
Capital reserve						
3200	Capital reserve	6(19)	50,735	1	50,735	1
Retained earnings						
3310	Legal reserve	6(20)	239,318	7	231,804	6
3320	Special reserve		182,752	5	182,752	5
3350	Unappropriated retained earnings		315,361	9	419,140	12
Other equity interest						
3400	Other equity interest		(83,123)	(2)	(68,169)	(2)
3XXX	Total equity		<u>2,004,013</u>	<u>58</u>	<u>2,115,232</u>	<u>58</u>
Commitments and contingencies 9						
3X2X	Total liabilities and equities		<u>\$ 3,473,762</u>	<u>100</u>	<u>\$ 3,626,525</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Yeh, Ming-Chou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan-Li-Che

HONMYUE ENTERPRISE CO., LTD.
Individual Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

(Except for earnings (losses) per share expressed in New Taiwan Dollar)

	Item	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating Revenue	6(21), 7(2)	\$ 1,996,611	100	\$ 2,484,812	100
5000	Operating costs	6(3)(26)(27), 7(2)	(1,820,859)	(91)	(2,160,099)	(87)
5900	Operating margin		175,752	9	324,713	13
	Operating expenses	6(26)(27)				
6100	Sales and marketing expenses		(77,166)	(4)	(89,204)	(4)
6200	General and administrative expenses		(84,028)	(4)	(105,332)	(4)
6300	Research and development expenses		(27,964)	(2)	(19,807)	(1)
6450	Expected credit impairment loss	12(2)	600	-	-	-
6000	Total Operating Expenses		(188,558)	(10)	(214,343)	(9)
6900	Operating profit (loss)		(12,806)	(1)	110,370	4
	Non-operating income and expenses					
7100	Interest income	6(22), 7(2)	6,839	-	5,081	-
7010	Other income	6(23), 7(2)	32,146	2	18,588	1
7020	Other gains and losses	6(24)	(1,764)	-	18,813	1
7050	Finance costs	6(25)	(21,170)	(1)	(18,417)	(1)
7070	Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method	6(7)	(47,428)	(2)	(29,502)	(1)
7000	Total non-operating income		(31,377)	(1)	(5,437)	-
7900	Pretax net profit (loss)		(44,183)	(2)	104,933	4
7950	Income tax expense	6(28)	(248)	-	(27,504)	(1)
8200	Net profits (loss)		<u>(\$ 44,431)</u>	<u>(2)</u>	<u>\$ 77,429</u>	<u>3</u>
	Other comprehensive income (net) Not reclassified to profit or loss					
8311	Measure on defined benefit plans	6(17)	\$ 1,515	-	(\$ 2,865)	-
8316	Unrealized gains and losses on valuation of investment in equity instruments measured at fair value through other comprehensive income		4,920	-	(28,415)	(1)
8349	Income tax related to components that are not reclassified subsequently to profit or loss	6(28)	(1,251)	-	6,345	-
8310	Total not reclassified to profit or loss		5,184	-	(24,935)	(1)
	Components that may be reclassified to profit or loss					
8361	Exchange difference arising from translation of foreign operation financial statements		(18,926)	(1)	13,451	1
8360	Total Items that may be reclassified to profit and loss		(18,926)	(1)	13,451	1
8300	Other comprehensive net gains/losses		<u>(\$ 13,742)</u>	<u>(1)</u>	<u>(\$ 11,484)</u>	<u>-</u>
8500	Total comprehensive gains/losses		<u>(\$ 58,173)</u>	<u>(3)</u>	<u>\$ 65,945</u>	<u>3</u>
	Earnings (Losses) per share	6(29)				
9750	Basic earnings (losses) per share		(\$ 0.34)		\$ 0.60	
9850	Diluted earnings (losses) per share		(\$ 0.34)		\$ 0.56	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Yeh, Ming-Chou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD.
Parent Company Only Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Notes	Capital Surplus			Retained Earnings			Other equity interest		Total
		Share capital - common stock	Treasury stock transactions	Employ stock option	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translating foreign operating financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 1,298,970	\$ 5,887	\$ -	\$ 217,652	\$ 182,752	\$ 423,103	(\$ 48,243)	(\$ 10,734)	\$ 2,069,387
Net income		-	-	-	-	-	77,429	-	-	77,429
Other comprehensive income	6(5)	-	-	-	-	-	(2,292)	13,451	(22,643)	(11,484)
Total comprehensive income		-	-	-	-	-	75,137	13,451	(22,643)	65,945
Earnings allocation and distribution in 6(20) 2021										
Legal reserve		-	-	-	14,152	-	(14,152)	-	-	-
Cash dividends		-	-	-	-	-	(64,948)	-	-	(64,948)
Recognition of stock options as a component of equity due to the issuance of convertible bonds	6(15)(19)	-	-	44,848	-	-	-	-	-	44,848
Balance at December 31, 2022		\$ 1,298,970	\$ 5,887	\$ 44,848	\$ 231,804	\$ 182,752	\$ 419,140	(\$ 34,792)	(\$ 33,377)	\$ 2,115,232
Year ended December 31, 2023										
Balance at January 1, 2023		\$ 1,298,970	\$ 5,887	\$ 44,848	\$ 231,804	\$ 182,752	\$ 419,140	(\$ 34,792)	(\$ 33,377)	\$ 2,115,232
Net income		-	-	-	-	-	(44,431)	-	-	(44,431)
Other comprehensive income	6(5)	-	-	-	-	-	1,212	(18,926)	3,972	(13,742)
Total comprehensive income		-	-	-	-	-	(43,219)	(18,926)	3,972	(58,173)
Earnings allocation and distribution in 6(20) 2022										
Legal reserve		-	-	-	7,514	-	(7,514)	-	-	-
Cash dividends		-	-	-	-	-	(51,959)	-	-	(51,959)
Change in equity accounted for using equity method - Associated companies	6(7)	-	-	-	-	-	(1,087)	-	-	(1,087)
Balance at December 31, 2023		\$ 1,298,970	\$ 5,887	\$ 44,848	\$ 239,318	\$ 182,752	\$ 315,361	(\$ 53,718)	(\$ 29,405)	\$ 2,004,013

The accompanying notes are an integral part of the parent company only financial statements.
Manager: Kuo, Cheng-Pei

Chairman: Yeh, Ming-Zhou

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD.
Parent Company Only Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>From January 1 to December 31, 2023</u>	<u>From January 1 to December 31, 2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Pretax profit		(\$ 44,183)	\$ 104,933
Adjustments			
Adjustments to reconcile profit(loss)			
Depreciation expense (investment properties and right-of-use assets)	6(24)(26)	52,078	47,923
Amortization expense	6(26)	1,216	795
Reversal of expected credit loss recognized in profit or loss	12(2)	(600)	-
Share of other comprehensive loss of subsidiaries on investments in equity instruments at fair value	6(7)	47,428	29,502
Net gain on financial assets or liabilities at fair value through profit or loss	6(24)	180	3,090
Gain on disposal or retirement of property, plant and equipment	6(24)	(1,826)	(1,552)
Interest expense	6(25)	21,170	18,417
Interest income	6(22)	(6,839)	(5,081)
Dividend income	6(5)	(20)	(20)
Benefit from lease modification	6(9)	(10)	(5)
Unrealized gain(loss) on foreign currency exchange		2,273	(587)
Changes in operating assets and liabilities			
Changes in operating assets, net			
Notes receivable - net		6,264	51,799
Notes receivable - related party, net		(91)	13,457
Accounts receivable		(41,542)	48,228
Accounts receivable - related parties		23,885	98,063
Other receivables		(225)	(346)
Inventories		(34,465)	108,783
Prepayments		19,203	(14,270)
Other current assets		(49)	1,247
Other noncurrent assets		(1,372)	1,408
Liabilities net change related to operation activities			
Contract liabilities		(9,585)	(484)
Notes payable		(40,909)	(59,572)
Notes payable - related parties		2,350	(4,714)
Accounts payable		64,555	(25,016)
Accounts payable - related parties		(1,551)	5,871
Other payables		(11,206)	(20,682)

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD.
Parent Company Only Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>From January 1 to December 31, 2023</u>	<u>From January 1 to December 31, 2022</u>
Other current liabilities		4,144	8
Other noncurrent liabilities		(401)	(662)
Cash inflow from operation activities		49,872	400,533
Interest received		7,266	4,610
Dividends received		8,540	20
Interest paid		(13,021)	(11,014)
Income tax paid		(27,623)	(30,926)
Income tax refunded		1,619	2,331
Net cash flows from operating activities		<u>26,653</u>	<u>365,554</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Other receivables - related parties decrease (increase)	7	(\$ 33,969)	(\$ 56,838)
Investment using the equity method	6(7)	(30,000)	(89,250)
Acquisitions of property, plant and equipment	6(30)	(31,144)	(77,215)
Disposal of property, facility and equipment		1,882	1,552
Acquisition of intangible assets		(450)	(10,957)
Decrease in refundable deposits		514	1,348
Net cash outflow from investing activities		<u>(93,167)</u>	<u>(231,360)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(31)	787,028	924,381
Decrease in short-term borrowings	6(31)	(675,837)	(966,465)
Increase in short-term notes and bills payables		30,000	235,000
<u>Decrease in short-term notes and bills payables</u>		-	(395,000)
Lease principal repayment	6(31)	(1,699)	(2,113)
Issuance of corporate bonds	6(31)	-	321,827
Repayments of long-term borrowings	6(31)	(166,667)	(116,666)
Increase in guarantee deposits received	6(31)	250	3,909
Cash dividends paid	6(20)(31)	(51,959)	(64,948)
Net Cash outflow from financing activities		<u>(78,884)</u>	<u>(60,075)</u>
Effects of foreign exchange rates		1,100	1,669
Increase (decrease) in cash and cash equivalents		(144,298)	75,788
Cash and cash equivalents, beginning of period		425,310	349,522
Cash and cash equivalents, end of period		<u>\$ 281,012</u>	<u>\$ 425,310</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD.

Parent Company Only Financial Statement Notes
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars unless otherwise specified)

1. The History of the Company

Established on September 4th, 1970, Honmyue Enterprise Co., Ltd. primarily specializes in the manufacturing, trading, and domestic and international sales of various textiles made of cotton, wool, silk, and synthetic fibers.

2. Approval date and procedures of the parent company only financial statements

The parent company only financial statements were released on March 8th, 2024, following approval by the Board of Directors.

3. Application of New Standards, Amendments and Interpretations

- (1) Newly Adopted and Effective International Financial Reporting Standards (IFRS) that are approved and published by the Financial Supervisory Commission (hereafter referred to as FSC)

The following table summarizes the new, amended, and revised International Financial Reporting Standards (IFRS) and Interpretations that were approved and published by the FSC and were applicable in the Republic of China in 2023:

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board("IASB")</u>
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023
Amendments to IAS 12, International Tax Reform Pillar Two Model Rules	May 23, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- (2) New or Revised International Financial Reporting Standards not yet Adopted by the FSC

The following table summarizes the new, amended, and revised IFRS and Interpretations that were approved and published by the FSC and were applicable in 2024.

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- (3) IFRSs issued by IASB but not yet endorsed by the FSC
New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FCS are as follows:

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by IASB
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 – comparative information"	January 1, 2023
Amendments to IAS 21, "Lack of Exchangeability"	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted in the preparation of this consolidated financial statement. Unless otherwise stated, these policies have been consistently applied throughout all reporting periods.

- (1) Compliance with Standards
This parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (2) Basis of Preparation
1. The parent company only financial statements are prepared on a historical cost basis, except for the following significant items:
 - A. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - B. Financial assets at fair value through other comprehensive income.
 - C. The net amount recognized for defined benefit liabilities, which is the aggregate of the fair value of plan assets and the present value of defined benefit obligations, reduced by the effect of any asset ceiling, is recognized in the balance sheet as a liability.
 2. Preparation of financial statements in accordance with the International Financial Reporting Standards (IFRSs), International Accounting Standards, and Interpretations of IFRS that are approved and issued by the Financial Supervisory Commission requires the use of certain significant accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Such estimates and judgments involve items that are highly subjective or complex, or relate to significant assumptions and estimates used in the preparation of parent company only financial statements. Please refer to Note 5 for details
- (3) Foreign Currency Translation
Items enlisted in the financial statements are presented in the currency of the primary economic environment in which the Company operates (the functional currency"). The parent company

only financial statements are presented in the functional currency of the Company, which is the New Taiwan Dollar.

1. Foreign Currency Transactions and Balances:
 - A. Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction date or measurement date. The resulting exchange differences are recognized in the current period's profit or loss.
 - B. Foreign currency monetary assets and liabilities are revalued at the exchange rates prevailing on the balance sheet date. The resulting exchange differences are recognized in the current period's profit or loss.
 - C. Foreign currency non-monetary assets and liabilities that are measured at fair value through profit or loss are revalued at the exchange rates prevailing on the balance sheet date. The resulting exchange differences are recognized in the current period's profit or loss. Those that are measured at fair value through other comprehensive income are recognized in other comprehensive income. Those that are not measured at fair value are translated using the historical exchange rates on the initial transaction date.
 - D. All exchange differences are presented in the consolidated statement of comprehensive income under the item "other income and expenses."
2. Foreign Operation Translation
 - A. For all individual companies, related enterprises, and joint agreements whose functional currencies are different from the reporting currencies, the operating results and financial positions are converted into the reporting currencies using the following methods:
 - a、 Assets and liabilities presented in each balance sheet are converted using the closing exchange rate on the balance sheet date
 - b、 Revenues and expenses presented in each income statement are converted using the average exchange rate for the period
 - c、 All translation differences arising from translation are recognized in other comprehensive income
 - B. Translation differences of net investments in foreign operations are recognized in other comprehensive income.
 - C. When a partial disposal or sale of foreign operations occurs, the translation differences under other comprehensive income are proportionally reclassified to profit or loss as a component of the gain or loss on disposal

(4) The Classification Criteria for Current and Non-current Assets and Liabilities

1. Assets meeting any of the following criteria shall be classified as current assets:
 - A. Assets expected to be realized in the normal operating cycle or intended to be sold or consumed.
 - B. Assets held primarily for trading purposes.
 - C. Assets expected to be realized within twelve months after the balance sheet date.
 - D. Cash or cash equivalents, except for those with restrictions on exchange or use for settlement of liabilities for at least twelve months after the balance sheet date.

All assets that do not meet the above criteria are classified as non-current by the Company.

2. Liabilities meeting any of the following criteria shall be classified as current liabilities:
 - A. Liabilities expected to be settled within the normal operating cycle.
 - B. Liabilities held primarily for trading purposes.
 - C. Liabilities expected to be settled within twelve months after the balance sheet date.
 - D. Liabilities cannot be deferred unconditionally beyond twelve months after the balance sheet date, except for liabilities with terms that may be settled by issuing equity instruments at the option of the counterparty, which do not affect their classification.

All liabilities that do not meet the above criteria are classified as non-current by the Company.

(5) Cash Equivalents

Cash equivalents refer to short-term investments that are highly liquid and can be converted into a fixed amount of cash at any time, with minimal risk of value fluctuations. Time deposits that meet the aforementioned criteria and are held for the purpose of fulfilling short-term cash commitments in operations are classified as cash equivalents.

(6) Financial Assets Measured at Fair Value through Profit or Loss

1. Refers to financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income.
2. Trade date accounting for financial assets measured at fair value through profit or loss that meet customary trading criteria is used by the Company.
3. The Company measures financial assets at fair value upon initial recognition, and recognizes transaction costs in profit or loss. Subsequently, any gains or losses on these financial assets are recognized in profit or loss.

(7) Financial Assets Measured at Fair Value through Other Comprehensive Income

1. Refers to a non-revocable choice made at the initial recognition to report the fair value changes of equity instruments that are not held for trading in other comprehensive income, or to debt instrument investments that meet both of the following conditions:
 - A. Assets held under a business model whose objective is to collect contractual cash flows and to sell the asset.
 - B. The contract terms of the financial asset give rise to cash flows on specific dates, consisting entirely of the repayment of principal and the payment of interest on outstanding principal.
2. Trade date accounting to financial assets measured at fair value through other comprehensive income that meet trading customary trading criteria is used by the Company.
3. When initially recognized, the Company measures equity instruments at their fair value plus transaction costs, and subsequently measures them at fair value:

The fair value changes of equity instruments are recognized in other comprehensive income and are not reclassified to profit or loss when derecognized. Instead, they are transferred to retained earnings. When the right to receive dividends is established and the economic benefits related to dividends are likely to flow to the Company, and the dividend amount can be reliably measured, the Company recognizes dividend income in profit or loss.

- (8) Financial Assets Measured at Amortized Cost
1. Refers to financial assets that meet both of the following conditions:
 - A. Assets held under a business model whose objective is to collect contractual cash flows.
 - B. The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 2. Trade date accounting to financial assets measured at amortized cost that meet trading customary trading criteria is used by the Company.
 3. The Company holds short-term fixed deposits that do not qualify as cash equivalents and are measured at cost due to the short-term nature of the deposits and the immateriality of the effect of discounting.
- (9) Accounts and Notes Receivable
1. Refer to the accounts and notes receivable that represent the right to receive payment for the consideration received from the transfer of goods or services, without any conditions attached.
 2. For short-term accounts and notes receivable without interest, the impact of discounting is not significant, the Company measures them at the original invoice amount.
- (10) Impairment of Financial Asset
- The Company measures its financial assets at amortized cost on each balance sheet date, taking into consideration all reasonable and supportable information (including forward-looking information) related to credit risk, and recognizes an allowance for expected credit losses based on a 12-month expected credit loss amount for financial assets for which the credit risk has not increased significantly since initial recognition, and based on the lifetime expected credit loss amount for financial assets for which the credit risk has increased significantly since initial recognition. For trade receivables that do not contain a significant financing component, the Company recognizes an allowance for expected credit losses based on the lifetime expected credit loss amount.
- (11) Derecognition of Financial Assets
- When the Company's contractual rights to receive cash flows from a financial asset have expired, the financial asset is derecognized.
- (12) Operating Leases - Lease Transactions of the Lessor
- The lease income from operating leases, which is not contingent on any incentives granted to the lessee, is recognized on a straight-line basis as an expense in the statement of comprehensive income over the lease term.
- (13) Inventories
- The lower of cost and net realizable value is used to measure inventory, and cost is determined by the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads(allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(14) Investments in Equity Method - Subsidiaries and Associated Companies

1. A subsidiary refers to an entity (including structured entities) controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. The unrealized gains and losses arising from transactions between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary to be consistent with those of the Company.
3. The Company recognizes the profit or loss attributable to the subsidiary's equity as current period income and the other comprehensive income attributable to the subsidiary's equity as other comprehensive income after acquiring a subsidiary. If the loss recognized by this company equals or exceeds the subsidiary's equity, the Company continues to recognize the loss in proportion to its shareholding.
4. An associated company refers to entities in which this company has significant influence but not control, typically through direct or indirect ownership of more than 20% of the voting rights. The Company accounts for its investment in associated companies using the equity method and recognizes the investment at cost upon acquisition.
5. The Company recognizes the profit or loss attributable to its shareholding in the associated company as current period income, and the other comprehensive income attributable to its shareholding as other comprehensive income. If the loss recognized by the Company in any associated company equals or exceeds its interest in that associated company (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the associated company. The investment in associated companies is accounted for using the equity method, and it is recognized at cost when acquired.
6. When there is an equity change in the associated company that is not related to profit or loss and does not affect the shareholding percentage in the associated company, the Company will recognize the equity change attributed to the Company's interest in the associated company in proportion to its shareholding as "Capital Surplus".
7. Unrealized gains and losses resulting from transactions between the Company and its affiliated companies have been eliminated based on their respective ownership interests in the affiliated companies, unless there is evidence that the transferred assets have been impaired. The affiliated companies' accounting policies have been adjusted as necessary to conform to the accounting policies used by the Company.
8. If an associate issues new shares and the Company does not subscribe or acquire them in proportion to its shareholding, causing a change in its ownership interest but still exerting significant influence over the associate, any resulting change in the equity of the associate is adjusted in the "Capital reserve" and "Investment in equity method." If the ownership interest decreases, in addition to the above adjustment, any related gain or loss previously recognized in other comprehensive income related to the equity component that decreased shall be reclassified to profit or loss when disposing of the related assets or liabilities, based on the proportion of decrease.
9. When the Company disposes of an associated company and loses significant influence over it, all amounts previously recognized in other comprehensive income related to that associated enterprise shall be accounted for in the same manner as the disposal of assets or liabilities directly related to the Company's disposal, that is, any previously recognized gains or losses in other comprehensive income will be reclassified as income when the assets or liabilities are disposed of. If the Company still has significant influence over the associated enterprise, the amounts previously recognized in other comprehensive income

shall be reclassified proportionally in the manner described above.

10. According to the financial reporting standards for issuers of securities, the profit or loss and other comprehensive income in the individual financial statements should be allocated to the owners of the parent company in the same manner as the profit or loss and other comprehensive income attributable to the owners of the parent company in the consolidated financial statements. The owner's equity in the parent company only financial statements should be the same as the equity attributable to the owners of the parent company in the consolidated financial statements.

(15) Property, Plant and Equipment

1. Property, plant, and equipment are recorded at acquisition cost and interest related to the acquisition or construction period is capitalized.
2. Subsequent costs are only included in the carrying amount of an asset or recognized as a separate asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of a replaced part should be derecognized. All other maintenance costs are recognized in profit or loss when incurred.
3. Property, plant, and equipment are measured at cost model subsequently. They are depreciated using the straight-line depreciation method based on the estimated useful life, except for land, which is not depreciated. If a component of property, plant, and equipment is significant, it is separately depreciated.
4. The Company reviews the residual value, useful life, and depreciation method of each asset at the end of each financial year. If the expected residual value and useful life are different from previous estimates, or there has been a significant change in the expected consumption pattern of the future economic benefits of the asset, then the accounting estimates are adjusted in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The useful life of each asset is as follows:
 - Buildings and structures: 2 to 50 years
 - Machinery and equipment: 2 to 15 years
 - Transportation equipment: 2 to 10 years
 - Office equipment: 5 to 10 years
 - Other assets: 2 to 10 years

(16) Leases - Right-of-Use Assets / Lease Liabilities for Lessees

1. When a leased asset becomes available for use by the Company, it is recognized as a right-of-use asset and a lease liability. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. The lease liability is recognized on the lease commencement date as the present value of the remaining lease payments not yet paid, discounted at the incremental borrowing rate of the Company. Lease payments include fixed payments, net of any lease incentives that may be receivable.

The subsequent measurement is based on the effective interest rate method and is measured using the amortized cost method. Interest expense is recognized during the lease term. When there is a change in the lease term or lease payments caused by a non-contractual modification, the lease liability is re-measured and the re-measurement amount is adjusted to the right-of-use asset.

3. The right-of-use asset is recognized at cost on the lease commencement date, which includes:
 - A. The initial measurement of the lease liability.
 - B. Lease payments made at or before the commencement date.
 - C. Initial direct costs incurred; andSubsequently, the right-of-use asset is measured using the cost model, and depreciation expense is recognized over the asset's useful life or the lease term, whichever is shorter. When the lease liability is remeasured, the right-of-use asset is adjusted for any revaluation amount of the lease liability.
4. For lease modifications that result in a reduction in the lease scope, the lessee shall reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between it and the amount of the lease liability remeasurement in profit or loss.

(17) Investment Property

Investment property is recognized at cost and subsequently measured using the cost model. Except for land, depreciation is provided on a straight-line basis over the estimated useful life, with a useful life of 18 years for buildings and structures.

(18) Intangible Assets

Computer software is recognized at cost and is amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(19) Impairment of Non-financial Assets

The Company assesses, at each balance sheet date, whether there are any indicators of impairment for its assets, and estimates their recoverable amounts. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For assets that were previously impaired, if the circumstances that led to the impairment no longer exist or have improved, the impairment loss is reversed. However, the carrying amount of an asset after impairment reversal cannot exceed what the carrying amount would have been if no impairment loss had been recognized, net of any depreciation or amortization.

(20) Borrowings

The term "borrowings" refers to long-term or short-term funds borrowed from banks. The Company initially measures these borrowings at fair value less transaction costs. Subsequently, any differences between the carrying amount of the liability and the redemption amount are recognized as interest expense over the borrowing term using the effective interest method, which amortizes the difference between the proceeds and the redemption value over the period of the borrowing as a finance cost in the income statement.

(21) Accounts Payable and Notes Payable

1. Refers to liabilities incurred for the purchase of raw materials, goods, or services and for operating and non-operating expenses payable by notes.
2. Accounts payable and notes payable are short-term liabilities that do not have a significant impact from discounting, and are measured at their original invoice amounts by the Company.

(22) Convertible Bonds Payable

Convertible bonds payable issued by the Company contain embedded conversion options (the bondholders have the right to convert the bonds into a fixed number of ordinary shares of the Group) as well as call options. The initial issuance price is classified as a financial asset, financial liability, or equity based on the terms of the issue. The approach taken in accounting for this is as follows:

1. Embedded call options are initially recognized at their fair value net of any transaction costs as “financial assets or liabilities at fair value through profit or loss”. Subsequently, at each balance sheet date, they are measured at their fair value, and any changes are recognized in “gain or loss on financial assets or liabilities at fair value through profit or loss”.
2. The main contract of the corporate bond is initially measured at fair value, and any difference between the redemption amounts is recognized as the discount on payables. Subsequently, the effective interest method is used to amortize the discount over the term of the bond, and the interest expense is recognized as an adjusting item of "financial costs" in the income statement.
3. The embedded conversion option (qualifying as equity) is initially recognized at the issuance date by deducting the fair value of the “financial asset or liability at fair value through profit or loss” and “payable bonds” from the issuance proceeds, and the remaining value is recorded as “capital surplus - stock options”. Subsequently, no re-measurement is made.
4. The direct transaction costs incurred in the issuance are allocated to the respective components of liabilities and equity in proportion to their respective initial carrying amounts as described above.
5. When the holder exercises their right to convert, the liability component (including "payable convertible bonds" and "financial assets or liabilities measured at fair value through profit or loss") is processed according to its subsequent measurement method classification, and the book value of the liability component is added to the book value of "capital surplus - stock subscription rights" to calculate the issuance cost of the exchanged common shares.

(23) Derecognition of Financial Liabilities

The financial liabilities shall be derecognized by the Company upon the fulfillment, cancellation, or expiration of the obligations specified in the contract.

(24) Offset of Financial Assets and Liabilities

When there is a legally enforceable right to offset the recognized amounts of financial assets and liabilities, and the intention to settle the asset and discharge the liability on a net basis or simultaneously, the financial assets and financial liabilities may be offset and presented on a net basis in the balance sheets.

(25) Employee Benefits

1. Short-term Employee Benefits
Short-term employee benefits are measured at the undiscounted amount of expected payment and recognized as an expense when the related service is provided.
2. Pensions
 - A. Defined Contribution Plan
For a defined contribution plan, the amount of pension contribution that should be

provided is recognized as the current period's pension cost based on the principle of liability incurred. Prepaid contributions are recognized as assets within the scope of refundable cash or reduced future payment.

B. Defined Benefit Plan

- a、 The net obligation of defined benefit plans is measured by discounting the future benefit amounts earned by employees for services rendered in the current or prior periods, and reducing it by the fair value of plan assets at the balance sheet date. The net obligation of the defined benefit plan is calculated annually using the projected unit credit method by an actuary, and the discount rate is based on the market yield of government bonds (at the balance sheet date) that have the same currency and maturity as the benefit obligation of the defined benefit plan.
- b、 The remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they arise and are presented in retained earnings.
- c、 The related expenses of prior service cost are recognized immediately in profit or loss.

3. Severance Benefits

Severance benefits are benefits provided to employees upon termination of their employment prior to their normal retirement date or when employees accept a company offer to terminate their employment in exchange for benefits. The Company recognizes the expense of severance benefits when it is no longer able to withdraw the offer of such benefits or when the recognition of related restructuring costs is earlier. Severance benefits that are not expected to be settled in full within 12 months after the balance sheet date should be discounted.

4. Employee and Director's Compensation

Employee and Director's Compensation recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. Any difference between the estimated and actual amounts distributed by the Board of Directors is recognized as an accounting estimate change. In the case of stock-based employee compensation, the number of shares is calculated based on the closing price on the day prior to the Board of Directors' decision.

(26) Income Taxes

1. The income tax expense includes current and deferred taxes. Except for income taxes related to items recognized in other comprehensive income or directly in equity, income taxes are recognized in income.
2. The Company calculates current income tax based on the legislated tax rates in the countries where it operates and generates taxable income as of the balance sheet date. The management assesses the status of income tax filings in accordance with applicable tax laws and estimates the income tax liabilities based on the expected tax payments to tax authorities, as appropriate. The undistributed earnings are subject to income tax in accordance with the income tax law, and income tax expenses on undistributed earnings are recognized only after the annual general meeting approves the distribution of the actual earnings in the following year.
3. Deferred income tax is recognized based on the balance sheet method, which means that temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated balance sheet are recognized. If the deferred income tax arises from the initial recognition of an asset or liability in a transaction (excluding a business combination) that at the time of the transaction did not affect accounting profit or taxable income (tax

loss), it shall not be recognized. If temporary differences arising from the subsidiaries and associated companies can be controlled by the Company as to the timing of reversal, and it is probable that such temporary differences will not reverse in the foreseeable future, they shall not be recognized. Deferred income taxes are measured based on the tax rates expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled, as of the balance sheet date.

4. Deferred tax assets are recognized for temporary differences that are very likely to be utilized to offset future taxable income within the scope of recognition. These deferred tax assets are re-evaluated at each balance sheet date for amounts not recognized and already recognized.

(27) Share Capital

Common stock is classified as equity. The net amount after deducting income tax directly attributable to the increase in cost of issuing new shares or stock options is recorded as a deduction from equity in the statement of financial position.

(28) Dividend Distribution

The dividends distributed to the shareholders of the Company are recognized in the financial statements when they are approved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities.

(29) Sales Recognition

Sales of Goods

1. The main business of the Company is the manufacturing, printing, dyeing, and processing of various cotton, wool, silk, and synthetic fiber textiles for domestic and international sales. Revenue is recognized when control over the product is transferred to the customer, which occurs when the product is delivered to the customer. The customer has the discretion to determine the sales route and price of the product, and the Company has no remaining performance obligations that could affect the customer's acceptance of the product. When the product is shipped to the designated location, the risks of obsolescence, deterioration, and loss have been transferred to the customer, and the customer has accepted the product according to the sales contract, or there is objective evidence that all acceptance criteria have been met, the point of delivery has occurred.
2. Sales revenue is recognized as net of estimated sales returns and allowances based on the contract price. Payment terms for sales transactions typically range from 30 to 120 days after shipment. As the time period between transferring goods or services to customers and their payment does not exceed one year, the Company does not adjust transaction prices to reflect the time value of money.
3. The contract liability for customer prepayments in the sales contract of the Company is recognized as revenue when control of the product is transferred to the customer.

5. Significant Accounting Assumptions, Judgments and Major Sources of Estimates

When preparing the consolidated financial statements, the management of the Company has exercised judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations of future events as of the date of the balance sheet. The significant accounting estimates and assumptions made may differ from actual results, and such estimates and assumptions will be continually evaluated and adjusted in consideration of historical experience and other factors. These estimates and assumptions have the potential to cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year. Please see below for a detailed explanation of the main sources of significant accounting judgments, estimates, and assumptions uncertainties:

Valuation of Inventory

Due to the inventory must be valued at the lower of cost or net realizable value, the Company needs to exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date. The Company evaluates inventory as of the balance sheet date based on the amount that is expected to be realized from normal usage, obsolescence, or lack of market demand, and reduces the inventory cost to the net realizable value. The inventory valuation may involve significant changes. As of December 31, 2023, the carrying amount of inventory was NT\$640,937 thousand.

6. Explanation of Significant Accounting Items

(1) Cash and Cash Equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on Hand and Working Capital	\$ 1,277	\$ 3,449
Checking Deposits and Current Deposits	218,325	241,051
Time Deposits	<u>61,410</u>	<u>180,810</u>
Total	<u>\$ 281,012</u>	<u>\$ 425,310</u>
Interest Rate Range		
Time Deposit	<u>5.25%-5.50%</u>	<u>1.20%-4.35%</u>

1. The financial institutions with which the Company has transactions have good credit quality, and the Company deals with multiple financial institutions to diversify credit risk. The likelihood of default is expected to be very low.
2. Time deposits with original maturities exceeding three months and time deposits that are restricted and do not meet the criteria for being classified by the Company as short-term cash commitments as “financial assets measured at amortized cost.” The amounts as of December 31, 2023 and December 31, 2022 were NT\$6,800 thousand and NT\$7,100 thousand, respectively. Please refer to Note 6(6) for details.

(2) Financial Assets at Fair Value through Profit or Loss - Current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Assets:		
Financial Assets at Fair Value through Profit or Loss Measured at Mandatory Basis		
Convertible Bonds Redemption Rights	\$ 3,270	\$ 3,270
Revaluation Adjustments	(<u>3,270</u>)	(<u>3,090</u>)
Subtotal	<u>\$ -</u>	<u>\$ 180</u>

1. Details of Financial Asset at Fair Value through Profit or Loss - current are recognized in the income statement as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Fair Value through Profit or Loss Measured at Mandatory Basis	<u>(\$ 180)</u>	<u>(\$ 3,090)</u>

2. The Company did not pledge any of its financial assets at fair value through profit or loss - current.

(3) Accounts and Notes Receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes Receivable	<u>\$ 55,301</u>	<u>\$ 61,565</u>
Account Receivable	\$ 321,452	\$ 283,283
Less: allowance for doubtful accounts	(<u>1,553</u>)	(<u>2,153</u>)
	<u>\$ 319,899</u>	<u>\$ 281,130</u>

1. Accounts Receivable Aging Analysis:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Account Receivable</u>	<u>Trade Receivable</u>	<u>Account Receivable</u>	<u>Trade Receivable</u>
Not Overdue	\$ 302,129	\$ 55,301	\$ 276,425	\$ 61,565
1-90 days	16,586	-	5,363	-
91-180 days	1,204	-	13	-
Over 181 days	<u>1,533</u>	<u>-</u>	<u>1,482</u>	<u>-</u>
	<u>\$ 321,452</u>	<u>\$ 55,301</u>	<u>\$ 283,283</u>	<u>\$ 61,565</u>

The aging analysis based on the number of days overdue.

2. The balances of accounts receivable and notes receivable as of December 31, 2023 and December 31, 2022 were all generated from customer contracts. As of January 1, 2022, the balances of accounts receivable and notes receivable from customer contracts were NT\$332,593 thousand and NT\$113,364 thousand, respectively.
3. Assuming no collateral or other credit enhancements, the maximum credit risk exposure of the Company's accounts receivable from promissory notes was NT\$55,301 thousand and NT\$61,565 thousand as of December 31, 2023 and 2022, respectively. The maximum credit risk exposure of the Company's accounts receivable was 319,899 thousand and NT\$281,130 thousand as of December 31, 2023 and 2022, respectively.
4. Please refer to note 12(2) for the related information of credit risk on accounts and notes receivable.

(4) Inventories

				December 31, 2023		
				<u>Allowance for Doubtful Accounts and Impairment Loss</u>		<u>Carrying Amount</u>
	<u>Cost</u>					
Raw Materials	\$ 183,864	(\$ 10,366)		\$ 173,498		
Material	2,906	-		2,906		
Work in Process	108,404	(838)		107,566		
Finishing Goods	411,812	(54,845)		356,967		
Total	<u>\$ 706,986</u>	<u>(\$ 66,049)</u>		<u>\$ 640,937</u>		
				December 31, 2022		
				<u>Allowance for Doubtful Accounts and Impairment Loss</u>		<u>Carrying Amount</u>
	<u>Cost</u>					
Raw Materials	\$ 168,589	(\$ 9,395)		\$ 159,194		
Material	3,215	-		3,215		
Work in Process	100,489	(1,087)		99,402		
Finishing Goods	400,228	(55,567)		344,661		
Total	<u>\$ 672,521</u>	<u>(\$ 66,049)</u>		<u>\$ 606,472</u>		

The Inventory Cost Recognized as Expenses in the Current Period:

	<u>2023</u>	<u>2022</u>
Cost of Goods Sold	\$ 1,809,281	\$ 2,165,308
Unamortized Fixed Manufacturing Overhead	25,605	19,494
Inventory Write-Down and Reversal of Provisions for Inventory Obsolescence	-	(2,814)
Inventory Gain/Loss	2,664	(1,085)
Sales of Scraps	(16,691)	(20,804)
	<u>\$ 1,820,859</u>	<u>\$ 2,160,099</u>

The inventory turnover benefit for the Company from January 1 to December 31, 2022 refers to the increase in net realizable value of inventory due to the disposal of inventory previously written down for losses.

(5) Financial Assets at Fair Value through Other Comprehensive Income

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current Assets:		
Equity Instruments		
Non-publicly Traded Companies	\$ 96,423	\$ 96,423
Revaluation Adjustments of Financial Assets at Fair Value through Other Comprehensive Income	<u>(31,785)</u>	<u>(36,705)</u>
Total	<u>\$ 64,638</u>	<u>\$ 59,718</u>

1. The Company has chosen to classify its stock investments, which are strategic or held for stable dividend income, as financial assets at fair value through other comprehensive income. The fair values of these equity instruments were NT\$64,638 thousand and NT\$59,718 thousand as of December 31, 2023 and 2022, respectively.
2. Recognition of financial assets at fair value through other comprehensive income in profit or loss and comprehensive income are as follows:

	<u>2023</u>	<u>2022</u>
<u>Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments</u>		
Recognized in Other Comprehensive Income for Fair Value Changes	<u>\$ 3,972</u>	<u>(\$ 22,643)</u>
Recognized in Dividend Income in Profit or Loss Still Held at the End of the Period	<u>\$ 20</u>	<u>\$ 20</u>

3. The Company did not provide any pledge for the financial assets at fair value through other comprehensive income - non-current.

(6) Financial Assets at Amortized Cost - Non-current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current Assets:		
Restricted time deposits	<u>\$ 6,800</u>	<u>\$ 7,100</u>

1. Assuming no collateral or other credit enhancements, the most representative financial assets at amortized cost held by the Company, the maximum credit risk exposure as of December 31, 2023 and 2022 were NT\$6,800 thousand and NT\$7,100 thousand, respectively.
2. Please refer to Note 8 for details regarding financial assets pledged as collateral by the Company.
3. Please refer to Note 12(2) for credit risk information related to financial assets measured at amortized cost. The counterparty of the Company's investment in time deposits is a financially sound institution, and the possibility of default is expected to be very low.

(7) Investments Accounted using the Equity Method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hongyu Holdings L.L.C.	\$ 446,118	\$ 473,327
Jiujiang Deyu Textile Technology Co., Ltd.	449,496	483,305
Wenfa Development Co., Ltd.	69,331	69,467
Utex Innovation Co., LTD.	<u>69,920</u>	<u>54,727</u>
	<u>\$ 1,034,865</u>	<u>\$ 1,080,826</u>

1. Please refer to Note 4(3) of the consolidated financial statements as of year 2023 for the information of the Company its subsidiaries.
2. The share of profits or losses of subsidiaries recognized by the Company using the equity method is based on the audited financial statements of the respective investee companies for the same period. For 2023 and 2022, the amounts recognized were losses of NT\$47,428 thousand and profits of NT\$29,502 thousand, respectively.
3. For the overall business development needs, the Company has invested:
 - A. Jiujiang Deyu Textile Technology Co., Ltd.
 - a. In June and July 2022, a total of CNY 20,000 thousand (equivalent to NT\$89,250 thousand based on the exchange rate at the time of transaction) was remitted for investment in Jiujiang Deyu Textile Technology Co., Ltd.
 - b. The accumulated investment amount as of December 31, 2023 was CNY 115,000 thousand.
 - B. Utex Innovation Co., LTD.
 - a. On March 24, 2023, the Board of Directors resolved to carry out a reduction of capital to offset losses of NT\$60,000 thousand dollars, resulting in a decrease of investment amounting to NT\$52,000 thousand dollars.
 - b. On March 24, 2023 and May 12, 2023, the Board of Directors of Utex Innovation Co., Ltd. and the Company respectively resolved to carry out a cash capital increase of NT\$30,000 thousand. As the Company did not subscribe to the entire NT\$30,000 thousand in proportion to its shareholding, its shareholding percentage increased to 90%, resulting in a decrease in retained earnings of NT\$1,087 thousand.

(Intentionally left blank)

(8) Property, Plant, and Equipment

	2023				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Exchange Rate Impact</u>
Cost					
Land	\$ 304,450	\$ -	\$ -	\$ -	\$ 304,450
Building and Construction	414,332	-	-	-	414,332
Machinery and Equipment	719,121	24,554	(84,668)	54,128	713,135
Transportation and Equipment	22,265	780	(2,625)	-	20,420
Office Equipment	11,348	792	(861)	-	11,279
Idle Assets	3,160	-	-	(140)	3,020
Other Equipment	106,072	2,563	(98)	642	109,179
Construction in Progress/ Equipment under Testing	55,152	306	-	(54,090)	1,368
	<u>\$ 1,635,900</u>	<u>\$ 28,995</u>	<u>(\$ 88,252)</u>	<u>\$ 540</u>	<u>\$ 1,577,183</u>
Accumulated Depreciation					
Building and Construction	(\$ 238,479)	(\$ 10,641)	\$ -	\$ -	(\$ 249,120)
Machinery and Equipment	(485,936)	(32,381)	84,612	(140)	(433,845)
Transportation and Equipment	(15,483)	(1,459)	2,625	-	(14,317)
Office Equipment	(7,986)	(755)	861	-	(7,880)
Idle Assets	(3,159)	-	-	140	(3,019)
Other Equipment	(91,615)	(4,812)	98	-	(96,329)
	<u>(\$ 842,658)</u>	<u>(\$ 50,048)</u>	<u>\$ 88,196</u>	<u>\$ -</u>	<u>(\$ 804,510)</u>
	<u>\$ 793,242</u>				<u>\$ 772,673</u>

	2022				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Exchange Rate Impact</u>
Cost					
Land	\$ 304,450	\$ -	\$ -	\$ -	\$ 304,450
Building and Construction	406,413	3,335	-	4,584	414,332
Machinery and Equipment	700,630	15,283	(21,012)	24,220	719,121
Transportation and Equipment	21,276	989	-	-	22,265
Office Equipment	11,348	-	-	-	11,348
Idle Assets	3,020	-	-	140	3,160
Other Equipment	102,365	3,707	-	-	106,072
Construction in Progress/ Equipment under Testing	25,859	53,961	-	(24,668)	55,152
	<u>\$ 1,575,361</u>	<u>\$ 77,275</u>	<u>(\$ 21,012)</u>	<u>\$ 4,276</u>	<u>\$ 1,635,900</u>
Accumulated Depreciation					
Building and Construction	(\$ 227,896)	(\$ 10,583)	\$ -	\$ -	(\$ 238,479)
Machinery and Equipment	(478,357)	(28,731)	21,012	140	(485,936)
Transportation and Equipment	(13,906)	(1,577)	-	-	(15,483)
Office Equipment	(7,252)	(734)	-	-	(7,986)
Idle Assets	(3,019)	-	-	(140)	(3,159)
Other Equipment	(87,735)	(3,880)	-	-	(91,615)
	<u>(\$ 818,165)</u>	<u>(\$ 45,505)</u>	<u>\$ 21,012</u>	<u>\$ -</u>	<u>(\$ 842,658)</u>
	<u>\$ 757,196</u>				<u>\$ 793,242</u>

1. The current period transfer is due to the transfer from prepaid equipment payment.
2. Please refer to Note 8 for details on information provided as collateral using real estate, factory buildings, and equipment.
3. The Company did not capitalize interest in 2023 and 2022.

(9) Lease Transactions - Lessee

1. The assets leased by the Company include land, buildings, and machinery and equipment, and the lease terms typically range from 3 to 8 years. The lease agreements are individually negotiated and include various different terms and conditions. There are no restrictions imposed other than that the leased assets may not be used as collateral for borrowings.
2. The information on the book value of the right-of-use assets and the related depreciation expense is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Land	\$ 3,926	\$ 5,262
Buildings	-	1,307
Machinery and Equipment	<u>-</u>	<u>9</u>
	<u>\$ 3,926</u>	<u>\$ 6,578</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation Expense</u>	<u>Depreciation Expense</u>
Land	\$ 1,335	\$ 1,277
Buildings	341	682
Machinery and Equipment	<u>9</u>	<u>113</u>
	<u>\$ 1,685</u>	<u>\$ 2,072</u>

3. The increase in right-of-use assets of the Company was NT\$0 and NT\$5,270 thousand for the years ended 2023 and 2022, respectively.
4. Information on income and expense items related to lease agreements is as follows:

	<u>2023</u>	<u>2022</u>
<u>Items affecting current period income and expenses:</u>		
Interest expense on lease liabilities	<u>\$ 37</u>	<u>\$ 57</u>
Expense related to short-term lease agreements	<u>\$ 647</u>	<u>\$ 941</u>
Lease modification gain/loss	<u>\$ 10</u>	<u>\$ 5</u>

5. The total cash outflows for lease payments of the Company in 2023 and 2022 were NT\$2,383 thousand and NT\$3,111 thousand, respectively

(10) Leasing arrangements – lessor

1. The Company mainly leases assets including office and base station. Rental contracts are typically made from 2018~2025. Lease agreements are individually negotiated and encompass various terms and conditions.
2. The benefits recognized by the company under operating lease agreements for the year 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Rental income	<u>\$ 8,033</u>	<u>\$ 8,168</u>

3. The maturity analysis of lease payments in the operating lease is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>
2023	\$ 4,480	2022	\$ 4,571
2024	4,434	2023	4,343
2025	4,023	2024	4,314
2026	<u>-</u>	2025	<u>4,000</u>
Total	<u>\$ 12,937</u>	Total	<u>\$ 17,228</u>

(11) Investment Properties

	<u>2023</u>				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Ending Balance</u>
Cost					
Land	\$ 59,160	\$ -	\$ -	\$ -	\$ 59,160
Building and Construction	<u>6,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,200</u>
	<u>\$ 65,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,360</u>
Accumulated Depreciation					
Building and Construction	(\$ 2,497)	(\$ 345)	\$ -	\$ -	(\$ 2,842)
	<u>\$ 62,863</u>				<u>\$ 62,518</u>
	<u>2022</u>				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Ending Balance</u>
Cost					
Land	\$ 59,160	\$ -	\$ -	\$ -	\$ 59,160
Building and Construction	<u>6,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,200</u>
	<u>\$ 65,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,360</u>
Accumulated Depreciation					
Building and Construction	(2,151)	(\$ 346)	\$ -	\$ -	(\$ 2,497)
	<u>\$ 63,209</u>				<u>\$ 62,863</u>

2. Rental income and direct operating expenses of investment properties:

	<u>2023</u>	<u>2022</u>
Lease Rental Income Generated from Investment Properties	\$ <u>4,000</u>	\$ <u>4,000</u>
Direct operating expenses incurred for investment properties		
generating lease rental income during the period	\$ <u>465</u>	\$ <u>465</u>

3. The fair value of land held by the Company's investment property as of December 31, 2023 and 2022 were NT\$257,230 thousand and NT\$257,230 thousand, respectively, which were obtained by referencing the transaction prices of adjacent land obtained from the real estate transaction price inquiry system of the Ministry of the Interior. These values are classified as level 2 fair values. The fair value of buildings held by the Company's investment property as of December 31, 2023 and 2022 were NT\$35,290 thousand and NT\$35,520 thousand, respectively, which were calculated based on the expected total rental income of the buildings for the next 10 years, taking into account future economic growth and inflation, and then discounted to present value using the deposit rates of 2.345% and 2.220% as of December 31, 2023 and 2022, respectively. These values are classified as level 3 fair values.
4. Please refer to Note 8 for information on investment properties provided as collateral.

(12) Short-term Borrowings

<u>Loan Nature:</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured Loan	\$ 150,000	\$ 100,000
Secured Loan	117,282	97,658
Purchase Loan	<u>41,567</u>	<u>-</u>
	<u>\$ 308,849</u>	<u>\$ 197,658</u>
Range of interest rates for borrowing from financial institutions:	<u>1.70%~2.00%</u>	<u>1.40%~1.97%</u>

Please refer to Note 8 for information on collateral provided for loans.

(13) Short-term Notes Payable

	<u>December 31, 2023</u>
Accounts Payable - Commercial Paper	\$ 30,000
Less: Discount on Accounts Payable - Commercial Paper	<u>(77)</u>
	<u>\$ 29,923</u>
Interest Rate Range	<u>1.90%</u>

- None such event occurred on December 31, 2022.
- The above accounts payable commercial paper is guaranteed by Dah Chung Bills Finance Corporation.

(14) Other Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued Salaries Payable	\$ 50,401	\$ 70,434
Accrued Processing Fees Payable	24,812	22,157

Accounts Payable for Utilities	6,521	6,996
Accounts Payable for Repairs and Maintenance	6,425	4,631
Other	<u>42,612</u>	<u>39,883</u>
	<u>\$ 130,771</u>	<u>\$ 144,101</u>

(15) Bonds Payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable Corporate Bonds	\$ 300,000	\$ 300,000
Plus: Interest Compensation	2,886	1,375
Less: Discount on Payable Corporate Bonds	<u>(7,166)</u>	<u>(13,806)</u>
	<u>\$ 295,720</u>	<u>\$ 287,569</u>

1. Convertible corporate bonds issued by the Company domestically.
 - A. The terms and conditions of the second unsecured convertible corporate bond issuance by the Company in the domestic market are as follows:
 - a. The Company has been approved by the competent authority to raise and issue its second unsecured convertible corporate bonds in the domestic market. The total issuance amount is NT\$300,000 thousand, with a coupon rate of 109.01% and a three-year maturity period. The circulation period runs from January 26, 2022 to January 26, 2025. The bonds will be redeemed at maturity at their face value plus 1.5075% interest compensation, payable in cash. The bonds were listed and traded on the Taipei Exchange (TPEX) on January 26, 2022.
 - b. From three months after the issuance date of this convertible bond until the maturity date, the bondholders can request to convert this convertible bond into common stocks of the Company at any time, except for i) Suspension period of common shares transfer according to laws and regulations; ii) the period from fifteen business days before the ex-dividend date, ex-rights date or ex-bonus share date of the Company's stock until the record date; iii) the period from the reduction record date of the Company until the day before the start of trading of the new shares issued due to the reduction; iv) the period from the suspension of the conversion of stocks due to stock split to the day before the trading day of the new shares issued by the stock split. The bondholders can make the request through their securities broker and notify the Taiwan Depository & Clearing Corporation, which is the stock registrar of the Company, to convert the convertible bond into common stocks of the Company in accordance with this regulation. The rights and obligations of the common stocks obtained through the conversion shall be the same as those of the previously issued common stocks of the Company.
 - c. The conversion price of this convertible corporate bond is determined according to the pricing model specified in the conversion rules. In case of anti-dilution provisions triggered by the Company, the conversion price will be adjusted based on the same pricing model. As of December 31, 2023, the conversion price of

this convertible corporate bond is set at NT\$14.8 per share.

- d. When the convertible bonds have been outstanding for three months from the date of issuance until 40 days prior to the end of the issuance period, if the closing price of the Company's common stock exceeds 30% of the then conversion price for thirty consecutive business days, or if the outstanding balance of the Convertible Bonds in circulation is less than 10% of the original issuance amount, the Company may, at any time thereafter, redeem all the Convertible Bonds in cash at their face value.
 - e. According to the conversion rules, all redeemed (including those bought back by securities firms), repaid, or converted convertible bonds of the Company shall be cancelled and may not be resold or issued again, and their attached conversion rights shall also be extinguished.
- B. As of December 31, 2023, the principal amount of the convertible corporate bonds has not been converted into common shares.
2. When issuing convertible bonds, the Company separated the equity component of the conversion right and each liability component element in accordance with International Accounting Standard 32 "Financial Instruments: Presentation." As of December 31, 2023, the "Capital Surplus - Subscription Rights" was recorded as NT\$44,848 thousand. The embedded call option was also separated from the host contract liability instrument in accordance with International Financial Reporting Standard 9 "Financial Instruments" as it was not closely related to the economic characteristics and risks of the host contract liability instrument. The net amount of the embedded call option was then recorded as "Financial Assets at Fair Value through Profit or Loss." The effective interest rate of the host contract liability instrument after separation was 2.3%.

(16) Long-term Borrowings

<u>Type of Borrowings</u>	<u>Borrowing Period</u>	<u>December 31, 2023</u>
Secured Borrowings	From August 13, 2019 to August 13, 2024 Monthly interest payment The principal be repaid in 12 installments starting from November 13, 2021	\$ 50,000
	From November 20, 2019 to November 20, 2026 Monthly interest payment The principal be repaid in 84 installments starting from December 20, 2019	62,500
	From October 13, 2020 to October 13, 2025 Monthly interest payment The principal be repaid in 12 installments starting from January 13, 2023.	100,000
	From May 20, 2021 to May 20, 2028 Monthly interest payment The principal be repaid in 84 installments starting from June 20, 2021	126,190
		338,690
Less: Long-term borrowings due within one year.		(150,000)
		\$ 188,690
Interest rate range		2.03%~2.36%

<u>Type of Borrowings</u>	<u>Borrowing Period</u>	<u>December 31, 2022</u>
Secured Borrowings	From August 13, 2019 to August 13, 2024	
	Monthly interest payment	\$ 116,667
	The principal be repaid in 12 installments starting from November 13, 2021	
	From November 20, 2019 to November 20, 2026	
	Monthly interest payment	83,928
	The principal be repaid in 84 installments starting from December 20, 2019	
	From October 13, 2020 to October 13, 2025	
	Monthly interest payment	150,000
	The principal be repaid in 12 installments starting from January 13, 2023	
	From May 20, 2021 to May 20, 2028	
	Monthly interest payment	154,762
	The principal be repaid in 84 installments starting from June 20, 2021	
		505,357
Less: Long-term borrowings due within one year		(166,667)
		<u>\$ 338,690</u>
Interest Rate Range		<u>1.84%~1.97%</u>

(17) Pension

1.

- A. The Company has established a retirement plan with defined benefits in accordance with the Labor Standards Act. The plan applies to the service years of all regular employees before the implementation of the Labor Pension Act on July 1, 2005, as well as the subsequent service years of employees who choose to continue to be subject to the Labor Standards Act. Retirement benefits are calculated based on years of service and the average salary in the last 6 months before retirement. For those with service years of 15 years or less, two months' basic salary is provided for each year of service. For those with service years exceeding 15 years, one month's basic salary is provided for each year of service, with a maximum of 45 months' basic salary. The Company contributes 2% of total salary as a monthly provision for retirement benefits, which is deposited in a special account in the name of the Labor Retirement Reserve Supervisory Committee at the Bank of Taiwan. In addition, the Company estimates the balance of the Labor Retirement Reserve account at the end of each fiscal year. If the balance is insufficient to cover the estimated retirement benefits for employees who are expected to retire in the following year, based on the above calculation, the Company will make up the difference by the end of March of the following year.
- B. The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present Value of Defined Benefit Obligation	\$ 46,301	\$ 54,861
Fair value of Pan Assets	(28,047)	(34,689)
Net Defined Benefit Liability	<u>\$ 18,254</u>	<u>\$ 20,172</u>

C. Changes in Net Defined Benefit Liability:

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liability</u>
2023			
Balance as of Jan. 1	\$ 54,861	(\$ 34,689)	\$ 20,172
Current Service Cost	272	-	272
Interest Expense (Income)	<u>686</u>	<u>(440)</u>	<u>246</u>
	<u>55,819</u>	<u>(35,129)</u>	<u>20,690</u>
Remeasurement Items:			
Plan Asset Return (Excluding amounts included in interest income or expense)	-	(255)	(255)
Experience Adjustment	<u>(1,260)</u>	<u>-</u>	<u>(1,260)</u>
	<u>(1,260)</u>	<u>(255)</u>	<u>(1,515)</u>
Provision for Retirement Benefit	-	(921)	(921)
Payment of Retirement Benefit	<u>(8,258)</u>	<u>8,258</u>	<u>-</u>
Balance as of Dec. 31	<u>\$ 46,301</u>	<u>(\$ 28,047)</u>	<u>\$ 18,254</u>

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liability</u>
2022			
Balance as of Jan. 1	\$ 49,674	(\$ 31,705)	\$ 17,969
Current Service Cost	271	-	271
Interest Expense (Income)	<u>248</u>	<u>(161)</u>	<u>87</u>
	<u>50,193</u>	<u>(31,866)</u>	<u>18,327</u>
Remeasurement Items:			
Plan Asset Return (Excluding amounts included in interest income or expense)	-	(2,493)	(2,493)
Financial Assumption Change	951	-	951
Experience Adjustment	<u>4,407</u>	<u>-</u>	<u>4,407</u>
	<u>5,358</u>	<u>(2,493)</u>	<u>2,865</u>
Provision for Retirement Benefit	-	(1,020)	(1,020)
Payment of Retirement Benefit	<u>(690)</u>	<u>690</u>	<u>-</u>
Balance as of Dec. 31	<u>\$ 54,861</u>	<u>(\$ 34,689)</u>	<u>\$ 20,172</u>

D. The assets of Company's defined benefit retirement plan fund are entrusted to Taiwan Bank to operate according to the investment and utilization plan set for the fund year, based on the proportion and amount range of commissioned business items stipulated in Article 6 of the Regulations Governing Receipt and Utilization of Income and Expenditures of Labor Retirement Funds (depositing in domestic and foreign financial institutions, investing in domestic and foreign securities listed on stock exchanges, over-the-counter markets, or privately issued securities, and investing in securitized commodities of domestic and foreign real estate, etc.). The related utilization situation is supervised by the Labor Pension Fund Supervisory Committee.

The minimum income distribution for the fund's operation and utilization each year shall not be less than the income calculated based on the two-year fixed deposit interest rate of the local bank. If there is any shortfall, it shall be supplemented by the National Treasury after approval by the competent authority. As the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the plan assets' fair value in accordance with paragraph 142 of International Accounting Standard No. 19. Please refer to the labor retirement fund utilization report for each year as announced by the government for the fair value of the total assets of the fund as of December 31, 2023 and December 31, 2022.

E. Summary of actuarial assumptions for retirement benefits.

	<u>2023</u>	<u>2022</u>
Discount Rate	<u>1.25%</u>	<u>1.25%</u>
Future Salary Increase Rate	<u>3.00%</u>	<u>3.00%</u>

The assumptions for future mortality rates for the years 2023 and 2022 are estimated based on Taiwan Annuity insurance life table.

The analysis of the impact on the present value of the defined benefit obligation due to changes in the main actuarial assumptions adopted is as follows:

	<u>Discount Rate</u>		<u>Future Salary Increase Rate</u>	
	<u>Increase by</u>	<u>Decrease by</u>	<u>Increase by</u>	<u>Decrease by</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>1%</u>	<u>1%</u>
Dec. 31, 2023				
Impact on the Present Value of				
Defined Benefit Obligations	(\$ <u>751</u>)	\$ <u>776</u>	\$ <u>3,205</u>	(\$ <u>2,867</u>)
Dec. 31, 2022				
Impact on the Present Value of				
Defined Benefit Obligations	(\$ <u>936</u>)	\$ <u>966</u>	\$ <u>4,024</u>	(\$ <u>3,610</u>)

The sensitivity analysis presented above is based on the assumption that all other variables remain constant while only one variable changes. In practice, however, changes in one variable may be interrelated with changes in other variables. The sensitivity analysis is consistent with the method used to calculate the net retirement benefit liability in the balance sheet.

The methods and assumptions used in preparing the sensitivity analysis for the current period are consistent with those used in the previous period.

- F. The Company anticipates making a contribution of NTD 921 thousand to the retirement plan in 2024.
- G. As of December 31, 2023, the weighted average remaining service period of the retirement plan is 10.1 years.

2.
 - A. Since July 1, 2005, the Company has established a defined contribution retirement plan for its employees who are nationals of Taiwan, in accordance with the Labor Pension Act. Under this plan, the Company contributes 6% of each employee's monthly salary to his/her individual account at the Bureau of Labor Insurance. Upon retirement, the employee may choose to receive monthly pension payments or a lump sum payment, based on the balance in his/her individual account and the accumulated investment income.
 - B. The retirement benefit costs recognized by the Company in accordance with the above-mentioned retirement benefit plan for the years 2023 and 2022 were NT\$9,842 thousand and NT\$10,536 thousand, respectively.

(18) Share Capital

1. As of December 31, 2023, the authorized capital of the Company was NT\$1,838,311 thousand, and the paid-in capital was NT\$1,298,970 thousand, with a par value of NT\$ 10 per share.
2. The number of outstanding common shares of the Company was adjusted as follows at the beginning and end of the period:

Unit: Thousand Shares

	<u>2023</u>	<u>2022</u>
Beginning Share (Ending Share)	<u>129,897</u>	<u>129,897</u>

(19) Capital Surplus

According to the Company Law, the capital surplus obtained from issuing stocks above par value and the capital surplus obtained from receiving gifts shall, except for offsetting losses, be distributed as new shares or cash to shareholders in proportion to their original shareholding when the Company has no accumulated losses. In addition, according to relevant regulations of the Securities and Exchange Act, when the above-mentioned capital surplus is allocated to capital, the total amount shall not exceed 10% of the paid-in capital each year. If the Company still has insufficient funds to cover the capital deficiency after using the legal reserve, it may not use the capital surplus to make up for the shortfall.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Can be used to offset losses, distribute cash, or allocate to share capital</u>		
Treasury Stocks Transaction	\$ <u>5,887</u>	\$ <u>5,887</u>
<u>Cannot be used to offset losses, distribute cash, or allocate to share capital</u>		
Recognition of equity component resulting from the issuance of convertible corporate bonds	\$ <u>44,848</u>	\$ <u>44,848</u>

(20) Retained Earnings

1. According to the Company Act, after deducting the losses from previous years, 10% of the remaining balance of the Company's after-tax profits must be set aside as a legal reserve. The rest of the balance, together with the accumulated undistributed profits from the previous year, shall be considered as distributable profits. The legal reserve may only be used to offset the Company's losses or to increase its capital. However, when increasing the capital, the legal reserve shall not exceed 25% of the paid-in capital, and only half of the reserve may be used.
2. If there is a net profit in the annual financial statements of the Company, taxes and other dues shall be paid in accordance with the law, and 10% of the balance, after offsetting accumulated losses, shall be appropriated as the legal reserve. However, when the legal reserve has reached the Company's paid-in capital, no further appropriation is required. The remaining balance shall be appropriated or transferred to the special surplus reserve in accordance with relevant laws and regulations. If there is still a balance, it shall be combined with the accumulated undistributed profits and proposed by the Board of Directors for approval at the Shareholders' Meeting for the distribution of dividends to shareholders. The distribution of dividends to the shareholders is based on both stock dividends and cash dividends. For the next year, the cash dividends shall not be less than 10% of the total amount of dividends. The actual distribution ratio is subject to the authorization of the Board of Directors based on the Company's financial condition and capital budget.
3. When distributing profits, the Company must first allocate a portion to the special reserve for undistributed earnings, which is derived from the debit balance in other equity items as of the year-end balance sheet date in accordance with relevant laws and regulations. Only after this reserve is set up can profits be distributed. If the debit balance in other equity items is reversed in the future, the amount of the reversal can be included in the distributable profits.
4. The dividend distributions for the year 2022 and 2021, which was approved by the shareholders' meetings on June 26, 2023 and June 21, 2022, respectively, are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividend per Share (NT\$)</u>	<u>Amount</u>	<u>Dividend per Share (NT\$)</u>
Legal Reserve	\$ 7,514		\$ 14,152	
Cash Dividend	<u>51,959</u>	\$ 0.40	<u>64,948</u>	\$ 0.50
Total	<u>\$ 59,473</u>		<u>\$ 79,100</u>	

5. The dividend will not be distributed due to losses incurred in the year 2023.
6. Please refer to Note 6(26) for information regarding employee compensation and director and supervisor remuneration.

(21) Operating Revenue

1. Breakdown of customer contract revenue.

The Company's revenue is derived from the transfer of goods at a certain point in time. Revenue can be broken down by the following geographic regions:

	2023				
	<u>Asia</u>	<u>Europe</u>	<u>America</u>	<u>Other</u>	<u>Total</u>
Contract Revenue	<u>\$ 1,889,541</u>	<u>\$ 13,224</u>	<u>\$ 91,571</u>	<u>\$ 2,275</u>	<u>\$ 1,996,611</u>

	2022				
	<u>Asia</u>	<u>Europe</u>	<u>America</u>	<u>Other</u>	<u>Total</u>
Contract Revenue	<u>\$ 2,378,304</u>	<u>\$ 18,722</u>	<u>\$ 86,047</u>	<u>\$ 1,739</u>	<u>\$ 2,484,812</u>

2. Contract Liabilities – Current

The Company recognizes the following contract liabilities related to customer contract revenue:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
Contract Liabilities			
Advance from Customers	<u>\$ 6,126</u>	<u>\$ 15,711</u>	<u>\$ 16,195</u>

Beginning contract liabilities and revenue recognized in the current period are as follows:

	<u>2023</u>	<u>2022</u>
Beginning Contract Liabilities and Revenue	<u>\$ 14,988</u>	<u>\$ 11,664</u>
Recognized this period		

(22) Interest Income

	<u>2023</u>	<u>2022</u>
Bank deposit interest	<u>\$ 6,839</u>	<u>\$ 5,081</u>

(23) Other Income

	<u>2023</u>	<u>2022</u>
Rental Income	\$ 8,033	\$ 8,168
Government Grands Income	11,591	1,509
Other Income - Miscellaneous	<u>12,522</u>	<u>8,911</u>
Total	<u>\$ 32,146</u>	<u>\$ 18,588</u>

The government grants income for the year 2023 and 2022 were from the Conventional Industry Technology Development (CITD) subsidized by the Ministry of Economic Affairs and subsidy of carbon reduction projects from Taiwan SMECF

(24) Other Gains and Losses

	<u>2023</u>	<u>2022</u>
Net Foreign Exchange Gain/Loss	(\$ 3,043)	\$ 21,291
Gain on Disposal of Property, Plant, and equipment	1,826	1,552
Depreciation of Investment Properties	(345)	(346)
Depreciation Expense on Leased Assets	(180)	(3,090)
Gain/Loss on Financial Assets at Fair Value	<u>(22)</u>	<u>(594)</u>

through P/L

Other Income - Miscellaneous	(\$ <u>1,764</u>)	\$ <u>18,813</u>
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(25) Financial Costs

	<u>2023</u>	<u>2022</u>
Interest Expense	\$ 12,982	\$ 11,040
Interest Expense on Bonds Payable	8,151	7,320
Interest Expense on Lease Liabilities	<u>37</u>	<u>57</u>
Total	<u>\$ 21,170</u>	<u>\$ 18,417</u>

(26) Additional Information about the Nature of Expenses

	<u>2023</u>		
	<u>Cost of revenue</u>	<u>Operating expenses</u>	<u>Total</u>
Employee Benefits Expenses	\$ 212,462	\$ 110,520	\$ 322,982
Depreciation Expenses for Property, Plant, and Equipment	46,865	3,183	50,048
Depreciation Expenses for Right- of-use Assets	1,345	340	1,685
Amortization Expenses	<u>-</u>	<u>1,216</u>	<u>1,216</u>
	<u>\$ 260,672</u>	<u>\$ 115,259</u>	<u>\$ 375,931</u>

	<u>2022</u>		
	<u>Cost of revenue</u>	<u>Operating expenses</u>	<u>Total</u>
Employee Benefits Expenses	\$ 226,525	\$ 134,480	\$ 361,005
Depreciation Expenses for Property, Plant, and Equipment	42,333	3,172	45,505
Depreciation Expenses for Right- of-use Assets	1,390	682	2,072
Amortization Expenses	<u>-</u>	<u>795</u>	<u>795</u>
	<u>\$ 270,248</u>	<u>\$ 139,129</u>	<u>\$ 409,377</u>

(27) Employee Benefits Expense

	2023		
	<u>Cost of Revenue</u>	<u>Operating Expenses</u>	<u>Total</u>
Salary expense	\$ 182,824	\$ 89,622	\$ 272,446
Labor and Health Insurance Expenses	17,303	9,606	26,909
Pension Expenses	5,936	4,424	10,360
Director Remuneration	-	3,664	3,664
Other Employee Benefits Expenses	6,399	3,204	9,603
	<u>\$ 212,462</u>	<u>\$ 110,520</u>	<u>\$ 322,982</u>

	2022		
	<u>Cost of Revenue</u>	<u>Operating Expenses</u>	<u>Total</u>
Salary expense	\$ 194,344	\$ 109,967	\$ 304,311
Labor and Health Insurance Expenses	17,504	10,036	27,540
Pension Expenses	6,569	4,325	10,894
Director Remuneration	-	6,989	6,989
Other Employee Benefits Expenses	8,108	3,163	11,271
	<u>\$ 226,525</u>	<u>\$ 134,480</u>	<u>\$ 361,005</u>

1. As of December 31, 2023 and 2022, the total number of employees of the Company were 486 and 494 respectively, and there were 7 directors who were not employees of the Company.
2. According to the Company's Articles of Incorporation, if the Company generates profits in any fiscal year, at least 2% of the profits shall be allocated as employee compensation and distributed as cash or stock dividends by resolution of the Board of Directors, and the distribution shall include eligible employees of subsidiary companies meeting certain conditions. In addition, the Company may allocate up to 5% of the profits by resolution of the Board of Directors as director compensation. However, if the Company has accumulated losses, the amount necessary to offset the losses shall be reserved in advance, and employee compensation and director compensation shall be allocated in accordance with the aforementioned ratio.
3. The average employee benefits expenses for the current year and previous year were NT\$674 thousand and NT\$727 thousand, respectively.
4. The average employee salary expenses for the current year were NT\$568 thousand, compared to NT\$625 thousand in the previous year.
5. Adjustments and variations in average employee salary expenses (9.12%)
6. Current audit committee was established after the election of the Board of Directors in August 2021, and is without supervisors.
7. The remuneration of the directors of the Company includes director compensation, transportation, other expenses and director remuneration. Director remuneration is determined based on industry standards, and transportation and other expenses are paid based on attendance at board meetings. The director remuneration are allocated in accordance with the Company's articles of incorporation, and is subject to review by the Compensation Committee before being submitted to the Board of Directors for approval, and then to the shareholders' meeting for ratification. The remuneration of individual directors is calculated based on the principle of proportional allocation as stipulated in the "Regulations Governing the Payment of Remuneration to Directors and Functional

Committee Members", and the allocation results are submitted to the Compensation Committee for review and approval by the Board of Directors before being paid. The remuneration of executives and employees includes salary, bonuses, and other employee compensation, which are determined based on their job positions and responsibilities, with reference to industry standards for the same positions, as well as performance evaluations based on the "Employee Performance Incentive Program". The evaluation results are included in the calculation basis for salary compensation based on employee assessments. The remuneration of executives is subject to review by the Compensation Committee and approval by the Board of Directors.

8. The estimated amounts of employee and director remuneration for the Company in 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Employee Remuneration	\$ -	\$ 3,349
Director Remuneration	-	3,349
	<u>\$ -</u>	<u>\$ 6,698</u>

There was no remuneration for year 2023 due to losses incurred. The estimated amounts for employee remuneration and director remuneration for year 2022 was based on the earnings of each respective year, and were both estimated at 3% and approved by the Board of Directors. Employee remuneration will be paid in cash.

The amounts recognized for employee remuneration and director remuneration in year 2022, as approved by the Board of Directors, were consistent with the amounts recognized in the financial statements for year 2022.

9. The information related to employee and director remuneration approved by the Board of Directors can be found on the Market Observation Post System.

(28) Income Tax

1. Income Tax Expense

A. Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Current Income Tax		
Income Tax Expense for the Current Year	\$ 3,430	\$ 28,025
Over-provision of Income Tax in Prior Year	(2,417)	(790)
	<u>1,013</u>	<u>27,235</u>
Deferred Income Tax		
Origination and Reversal of Temporary Differences	(1,226)	18
Under-provision of Income Tax in Prior Year	461	251
Total	<u>\$ 248</u>	<u>\$ 27,504</u>

B. Income tax related to other comprehensive income:

	<u>2023</u>	<u>2022</u>
Changes in Fair Value of Financial Assets measured at Fair Value through Other Comprehensive Income	\$ 948	(\$ 5,772)
Remeasurements of Defined Benefit Obligations	303	(573)
	<u>\$ 1,251</u>	<u>(\$ 6,345)</u>

2. The Relationship between Income Tax Expense and Accounting Profit.

	<u>2023</u>	<u>2022</u>
Income Tax Calculated Based on Statutory Tax Rate on Pre-tax Net (Loss) Income	(\$ 8,836)	\$ 20,987
Deductible Amounts as Stipulated by Tax Regulation	2,819	917
Exempt Income as Stipulated by Tax Regulation	(641)	158
Unrecognized Deferred Tax Assets (Liabilities) Due to Temporary Differences	8,418	5,738
Realizability Assessment Changes in Deferred Tax Assets	461	251
Over-provision of Income Tax in Prior Year	(2,417)	(790)
Other	<u>444</u>	<u>243</u>
Total	<u>\$ 248</u>	<u>\$ 27,504</u>

3. The amounts of deferred tax assets or liabilities arising from temporary differences are as follows:

	<u>2023</u>			
	<u>Jan. 1</u>	<u>Recognized in Profits or Loss</u>	<u>Recognized In Other Comprehensive Income</u>	<u>Dec. 31</u>
Temporary Differences:				
-Deferred Tax Assets:				
Allowance for Doubtful Accounts - Out of Adjustment	\$ 2,876	(\$ 425)	\$ -	\$ 2,451
Inventory Write-down	13,210	-	-	13,210
Remeasurement of Defined Benefit Obligations	6,281	-	(303)	5,978
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	6,984	-	(948)	6,036
Unrealized exchange loss	-	1,560	-	1,560
Other	<u>4,582</u>	<u>(853)</u>	<u>-</u>	<u>3,729</u>
Subtotal	<u>\$ 33,933</u>	<u>\$ 282</u>	<u>(\$ 1,251)</u>	<u>\$ 32,964</u>
-Deferred Tax Liabilities				
Provision for Land Value Increment Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	(451)	451	-	-
Other	<u>(32)</u>	<u>32</u>	<u>-</u>	<u>-</u>
Total	<u>(\$ 68,052)</u>	<u>\$ 483</u>	<u>\$ -</u>	<u>(\$ 67,569)</u>

	<u>2022</u>			
	<u>Jan. 1</u>	<u>Recognized in Profits or Loss</u>	<u>Recognized In Other Comprehensive Income</u>	<u>Dec. 31</u>
Temporary Differences:				
-Deferred Tax Assets:				
Allowance for Doubtful Accounts - Out of Adjustment	\$ 2,451	\$ 425	\$ -	\$ 2,876
Inventory Write-down	13,773	(563)	-	13,210
Remeasurement of Defined Benefit	5,708	-	573	6,281

Obligations				
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	1,212	-	5,772	6,984
Other	<u>4,563</u>	<u>19</u>	<u>-</u>	<u>4,582</u>
Subtotal	<u>\$ 27,707</u>	<u>(\$ 119)</u>	<u>\$ 6,345</u>	<u>\$ 33,933</u>
-Deferred Tax Liabilities				
Provision for Land Value Increment Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	(333)	(118)	-	(451)
Other	<u>-</u>	<u>(32)</u>	<u>-</u>	<u>(32)</u>
Total	<u>(\$ 67,902)</u>	<u>(\$ 150)</u>	<u>\$ -</u>	<u>(\$ 68,052)</u>

4. Unrecognized temporary differences that are not deductible for deferred tax assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 213,506</u>	<u>\$ 171,414</u>

5. The income tax of the Company's business has been assessed and verified by the tax authorities up to the year 2021.

(29) Earnings per Share

	<u>2023</u>		
	<u>Amount after Tax</u>	<u>Weighted Average Outstanding Shares (in Thousands)</u>	<u>Earnings per Share (in NT\$)</u>
<u>Basic Earnings per Share</u>			
Net Loss for the Period	<u>(\$ 44,431)</u>	<u>129,897</u>	<u>(\$ 0.34)</u>
	<u>2022</u>		
	<u>Amount after Tax</u>	<u>Weighted Average Outstanding Shares (in Thousands)</u>	<u>Earnings per Share (in NT\$)</u>
<u>Basic Earnings per Share</u>			
Net Profit for the Period	<u>\$ 77,429</u>	<u>129,897</u>	<u>\$ 0.60</u>
<u>Diluted Earnings per Share</u>			
Net Profit for the Period	\$ 77,429	129,897	
Effect of Dilutive Potential Ordinary Shares:			
Employee Compensation	-	453	
Convertible Bonds	<u>5,856</u>	<u>19,608</u>	
Net Profit for the Period Adjusted for the Effect of Dilutive Potential Ordinary Shares	<u>\$ 83,285</u>	<u>\$ 149,958</u>	<u>\$ 0.56</u>

In calculating diluted earnings per share, it is assumed that the employee compensation is fully distributed in the form of stock options. When such potential common shares have a dilutive effect, they are included in the weighted average number of shares outstanding. The employee remuneration of the Company, such as potential ordinary shares and convertible corporate bonds, have an anti-dilutive effect and are therefore not included in the calculation of diluted earnings per share.

(30) Supplementary Cash Flow Information

Partial cash payment for investing activities:

	<u>2023</u>	<u>2022</u>
Acquisition of Property, Plant and Equipment	\$ 29,535	\$ 81,551
Add: Beginning Balance of Payable for Construction and Equipment	2,199	2,286
Less: Ending Balance of Payable for Construction and Equipment	-	(2,199)
Less: Beginning Balance of Advances to Construction Contractors	(590)	(5,013)
Add: Ending Balance of Advances to Construction Contractors	<u>-</u>	<u>590</u>
Cash Paid during the Period	<u>\$ 31,144</u>	<u>\$ 77,215</u>

(31) Changes in Liabilities from Financing Activities

	<u>Short-term Borrowings</u>	<u>Short-term Notes Payable</u>	<u>Lease Liabilities</u>	<u>Bonds Payable</u>	<u>Long-term Borrowings (including those due within one year)</u>	<u>Deposit Received for Guarantee</u>	<u>Dividends Payable</u>	<u>Total Liabilities from Financing Activities</u>
Jan. 1, 2023	\$ 197,658	\$ -	\$ 6,557	\$ 287,569	\$ 505,357	\$ 4,194	\$ -	\$ 1,001,335
Changes in Cash Flows from Financing Activities	111,191	30,000	(1,699)	-	(166,667)	250	(51,959)	(78,884)
Other Non-cash Changes	-	(77)	(975)	8,151	-	-	51,959	59,058
Dec. 31, 2023	<u>\$ 308,849</u>	<u>\$ 29,923</u>	<u>\$ 3,883</u>	<u>\$ 295,720</u>	<u>\$ 338,690</u>	<u>\$ 4,444</u>	<u>\$ -</u>	<u>\$ 981,509</u>

	<u>Short-term Borrowings</u>	<u>Short-term Notes Payable</u>	<u>Lease Liabilities</u>	<u>Bonds Payable</u>	<u>Long-term Borrowings (including those due within one year)</u>	<u>Deposit Received for Guarantee</u>	<u>Dividends Payable</u>	<u>Total Liabilities from Financing Activities</u>
Jan. 1, 2022	\$ 239,742	\$ 159,722	\$ 4,885	\$ -	\$ 622,023	\$ 285	\$ -	\$ 1,026,657
Changes in Cash Flows from Financing Activities	(42,084)	(160,000)	(2,113)	321,827	(116,666)	3,909	(64,948)	(60,075)
Other Non-cash Changes	-	278	3,785	(34,258)	-	-	64,948	34,753
Dec. 31, 2022	<u>\$ 197,658</u>	<u>\$ -</u>	<u>\$ 6,557</u>	<u>\$ 287,569</u>	<u>\$ 505,357</u>	<u>\$ 4,194</u>	<u>\$ -</u>	<u>\$ 1,001,335</u>

7. Related Party Transactions

(1) Name and Relationship of Related Parties

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Yeh, Ming-Zhou	Key management personnel of the Company
Yeh, Jun-Lin	Other related parties of the Company
Hongyu Holdings L.L.C. (Delaware, USA)	Subsidiaries of the Company
Utex Innovation Co., Ltd. (Utex Innovation)	Subsidiaries of the Company
Wenfa Development L.L.C.	Subsidiaries of the Company
Jiujiang Deyu Textile Technology Co., Ltd.(Jiujiang Deyu)	Subsidiaries of the Company
Hongyu Textile (Zhejiang) L.L.C. (Zhejiang Hongyu)	Subsidiary's subsidiary of the Company
Nuwa Enterprise Co., Ltd.	Subsidiary's subsidiary of the Company
Zhejiang Yaoliang Textile Co., Ltd. (Zhejiang Yaoliang)	Affiliated Enterprises of the Company
He Guan Textile Co., Ltd.	Other related parties of the Company
Yunite Textile International Co., Ltd.	Other related parties of the Company
Zhen Hong Investment Co., Ltd.	Other related parties of the Company
Yeh-Meng Metal Ind. Co., Ltd.	Other related parties of the Company

(2) Significant Transactions with Related Parties

1. Operating Revenue

	<u>2023</u>	<u>2022</u>
Sales of Goods		
Subsidiaries (Sub-subsidiaries)	\$ 205,150	\$ 147,640
Affiliated Enterprise	<u>4,540</u>	<u>98,077</u>
	<u>\$ 209,690</u>	<u>\$ 245,717</u>

The aforementioned sales transactions are priced in accordance with our general pricing policies and are subject to a 90-day credit term for collection. It should be noted that our collection period for general customers ranges from 30 to 120 days.

2. Purchase

	<u>2023</u>	<u>2022</u>
Purchase of Goods		
Subsidiaries (Sub-subsidiaries)	\$ 17,471	\$ 12,147
Affiliated Enterprise	6,504	6,803
Labor (Processing Fees)		
Subsidiaries	<u>61,649</u>	<u>58,027</u>
Total	<u>\$ 85,624</u>	<u>\$ 76,977</u>

The aforementioned purchase transactions are conducted under the same conditions as those with general suppliers, with payment terms of 60 to 90 days after the end of the month. The payment period for our general suppliers ranges from 30 to 120 days.

3. Rental Income

<u>2023</u>				
<u>Lessee</u>	<u>Rented Property</u>	<u>Rental Income</u>	<u>Collection Method</u>	
Utex Innovation	Land and Buildings	\$ 4,000	Quarterly or Monthly Payments	

Other	Land and Buildings	480	Quarterly or Monthly Payments
		<u>\$ 4,480</u>	

2022

<u>Lessee</u>	<u>Rented Property</u>	<u>Rental Income</u>	<u>Collection Method</u>
Utex Innovation	Land and Buildings	\$ 4,000	Quarterly or Monthly Payments
Other	Land and Buildings	<u>571</u>	Quarterly or Monthly Payments
		<u>\$ 4,571</u>	

The rental price was determined by referencing the rental prices of adjacent areas at the time of the rental and the rented area.

4. Accounts Receivable from Related Parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts Receivable and Noted Receivable		
Subsidiaries (Sub-subsidiaries)	\$ 50,242	\$ 35,064
Affiliated Enterprise		
Zhejiang Yaoliang	-	40,580
Other	<u>1,775</u>	<u>167</u>
	<u>\$ 52,017</u>	<u>\$ 75,811</u>
Other Receivable		
Subsidiaries (Sub-subsidiaries)	<u>\$ 42</u>	<u>\$ 26</u>

Accounts receivable and notes receivable mainly arise from sales transactions. The aging and amount of overdue accounts are as follows:

	<u>Overdue Aging</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Zhejiang Yaoliang	30 to 120 days	<u>\$ -</u>	<u>\$ 30,237</u>

5. Accounts Payable to Related Parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and Accounts Payable		
Subsidiaries (Sub-subsidiaries)	\$ 3,288	\$ 5,941
Affiliated Enterprise	<u>3,667</u>	<u>215</u>
	<u>\$ 6,955</u>	<u>\$ 6,156</u>
Other Payable		
Subsidiaries	\$ 11,905	\$ 8,326
Affiliated Enterprise	<u>3</u>	<u>-</u>
	<u>\$ 11,908</u>	<u>\$ 8,326</u>

The other payables mainly arise from processing fees for dyeing, finishing, and weaving services.

6. Loans to Related Parties (listed under Other Receivables - Related Parties)

A. Ending Balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Jiujiang Deyu	\$ 86,448	\$ -
Zhejiang Yaoliang	15,255	-
Zhejiang Hongyu	<u>-</u>	<u>67,750</u>
	<u>\$ 101,703</u>	<u>\$ 67,750</u>

B. Interest Income

	<u>2023</u>	<u>2022</u>
Jiujiang Deyu	\$ 926	\$ -
Zhejiang Hongyu	<u>272</u>	<u>1,479</u>
	<u>\$ 1,198</u>	<u>\$ 1,479</u>

The loan provided to affiliated companies was subject to repayment within one year from the date of borrowing, with annual interest rates ranging from 2.30% to 4.30% and 1.80% to 2.50% in fiscal year 2023 and 2022, respectively Please refer to Note 13(1)1. for details on loans to others.

(3) Key Management Compensation

	<u>2023</u>	<u>2022</u>
Short-term Employee Benefits	\$ 23,410	\$ 26,564
Post-Employment Benefits	<u>763</u>	<u>714</u>
Total	<u>\$ 24,173</u>	<u>\$ 27,278</u>

1. Short-term employee benefits comprise salaries, paid annual leave, and the Company's portion of labor and health insurance premiums for employees in service.
2. Post-employment benefits comprise to retirement benefits expenses borne by the Company.

8. Pledged Assets

The details of assets pledged by the Company as collateral are as follows:

<u>Assets</u>	<u>Book Value</u>		<u>Purpose of Collateral</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Real Estate, Plant and Equipment			
Land	\$ 265,228	\$ 265,228	Long-term/short-term borrowings
Building and Constructions	156,944	166,887	Long-term/short-term borrowings
Financial Assets at Amortized Cost - Current	59,160	59,160	Long-term/short-term borrowings
Financial Assets at Amortized Cost - Non-current	3,358	3,703	Long-term/short-term borrowings
Deposit for guarantee (Presented under Other Non-current Assets)	<u>6,800</u>	<u>7,100</u>	Natural gas and steam used for production and operation
	<u>\$ 491,490</u>	<u>\$ 502,078</u>	

9. Material Contingent Liabilities and Unrecognized Contractual Commitments

(1) Contingencies:

None.

(2) Commitments:

Capital expenditures that have been contracted but not yet incurred.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, Plant, and Equipment	\$ 919	\$ 16,954
Intangible Assets	<u>10,476</u>	<u>14,286</u>
	<u>\$ 11,395</u>	<u>\$ 31,240</u>

10. Significant Disaster Loss

None

11. Significant Subsequent Events

None

12. Other

(1) Capital Management

The capital management objective of the Company is to ensure the continued operation of the

Company, maintain an optimal capital structure to reduce funding costs, and provide returns to shareholders. To maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Company uses the debt-to-asset ratio to monitor its capital, which is calculated by dividing the total amount of debt by the total amount of assets.

During the year 2023, the Company continued to pursue the same strategy as in year 2022, focusing on reducing the debt-to-asset ratio to a reasonable level of risk. As of December 31, 2023 and December 31, 2022, the Company's debt-to-asset ratios were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total Liabilities	<u>\$ 1,469,749</u>	<u>\$ 1,511,293</u>
Total Assets	<u>\$ 3,473,762</u>	<u>\$ 3,626,525</u>
Debt-to-asset Ratio	<u>42%</u>	<u>42%</u>

(2) Financial Instrument

1. Types of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments	<u>\$ 64,638</u>	<u>\$ 59,718</u>
<u>Financial Assets at Amortized Cost</u>		
Cash and Cash Equivalents	\$ 281,012	425,310
Financial Assets at Amortized Cost	6,800	7,100
Notes Receivable (Including Related Parties)	55,474	61,647
Accounts Receivable (Including Related Parties)	371,743	356,859
Other Receivables	102,992	69,225
Deposits Paid as Collateral	754	1,268
	<u>\$ 818,775</u>	<u>\$ 921,409</u>
<u>Financial Liabilities</u>		
<u>Financial Liabilities at Amortized Cost</u>		
Short-term Borrowings	\$ 308,849	\$ 197,658
Notes Payable - Short-term	29,923	-
Notes Payable – Trade (Including Related Parties)	68,350	106,909
Accounts Payables (Including Related Parties)	189,136	126,132
Other Payables	130,771	144,101
Bonds Payable	295,720	287,569
Long-term Borrowings (due within one year or operating cycle)	338,690	505,357
Deposits Received	4,444	4,194
	<u>\$ 1,365,883</u>	<u>\$ 1,371,920</u>
Lease Liabilities (due within one year or one operating cycle)	<u>\$ 3,883</u>	<u>\$ 6,557</u>

2. Risk Management Policy

- A. The daily operations of the Company are subject to various financial risks, including market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- B. The management of financial risks is carried out by the Company's finance department in accordance with the policies approved by the Board of Directors. The finance department closely collaborates with the various business units and the Office of the Chairman to identify, assess and mitigate financial risks. The execution of

financial risk management is carried out in accordance with the Company's internal management rules and internal control systems. The process and results of its execution shall comply with legal regulations.

The Board of Directors of the Company oversees the adherence to the financial risk policies and procedures by the management, and reviews the adequacy of the framework for managing the relevant financial risks. The internal audit personnel assist the Board of Directors in its supervisory role by conducting regular and ad hoc reviews, and reporting the results to the Board.

3. Nature and Extent of Significant Financial Risks

A. Market Risk

Currency Risk

- a. The Company operates globally and is therefore exposed to foreign exchange risk arising from transactions in functional currencies different from that of the Company and its subsidiaries, mainly the US dollar, Chinese Renminbi and Japanese Yen. The related foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- b. The management of the Company has established policies governing the management of the foreign exchange risk with respect to its functional currencies. It is required to manage its overall foreign exchange risk through the Company's finance department. The measurement of foreign exchange risk is based on the expected transactions of highly probable outflows in the US dollar, Chinese Renminbi and Japanese Yen.
- c. The Company's operations involve several non-functional currencies (the functional currencies of the Company is New Taiwan Dollar), and are therefore subject to the impact of exchange rate fluctuations. The significant foreign currency assets and liabilities that are affected by exchange rate fluctuations are as follows:

December 31, 2023						
(Foreign Currency: Functional Currency)	<u>Foreign Currency</u>		<u>Book Value</u>	<u>Fluctuation</u>	<u>Sensitivity</u>	
	<u>Amount</u>	<u>Exchange</u>	<u>(TWD in</u>		<u>Profit and</u>	<u>Impact on</u>
	<u>(thousands)</u>	<u>Rate</u>	<u>thousand)</u>	<u>Range</u>	<u>Loss</u>	<u>Other</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 4,856	30.71	\$ 149,088	1%	\$ 1,491	\$ -
RMB:TWD	43,433	4.32	187,734	1%	1,877	-
JPY:TWD	10,415	0.22	2,262	1%	23	-
<u>Investments Using Equity Method</u>						
USD:TWD	\$ 12,379	30.71	\$ 380,145	1%	\$ -	\$ 3,801
RMB:TWD	104,050	4.32	449,496	1%	-	4,495
JPY:TWD	299,876	0.22	65,973	1%	-	660

December 31, 2022						
(Foreign Currency: Functional Currency)	<u>Foreign Currency</u>		<u>Book Value</u>	<u>Fluctuation</u>	<u>Sensitivity</u>	
	<u>Amount</u>	<u>Exchange</u>	<u>(TWD in</u>		<u>Profit and</u>	<u>Impact on</u>
	<u>(thousands)</u>	<u>Rate</u>	<u>thousand)</u>	<u>Range</u>	<u>Loss</u>	<u>Other</u>
<u>Financial Assets</u>						

<u>Monetary items</u>						
USD:TWD	\$ 6,735	30.71	\$ 206,838	1%	\$ 2,068	\$ -
RMB:TWD	52,321	4.41	230,947	1%	2,309	-
JPY:TWD	63,401	0.23	14,734	1%	147	-
<u>Investments Using Equity Method</u>						
USD:TWD	\$ 13,167	30.71	\$ 404,356	1%	\$ -	\$ 4,044
RMB:TWD	109,593	4.41	483,305	1%	-	4,833
JPY:TWD	299,876	0.23	68,971	1%	-	690

The overall exchange gain/loss (realized and unrealized) recognized in the year 2023 and 2022 related to the significant impact of exchange rate fluctuations on the monetary items of the Company amounted to a net loss of NT\$3,043 thousand and a net gain of NT\$21,291 thousand, respectively.

Price Risk

- a. The equity instruments exposed to price risk are the financial assets at fair value through other comprehensive income. In order to manage the price risk of equity instrument investments, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- b. The Company mainly invests in equity instruments and funds issued by domestic companies, the prices of which are affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments rise or fall by 1% while all other factors remain unchanged, the gains or losses from equity investments measured at fair value through other comprehensive income for the years 2023 and 2022 will increase or decrease by NT\$517 thousand and NT\$478 thousand, respectively.

Cash Flow and Fair Value Interest Rate Risk

- a. The Company's interest rate risk arises primarily from short-term notes payable, short-term borrowings, and long-term borrowings issued at floating rates, which expose the Company to cash flow interest rate risk. In 2023 and 2022, the Company's borrowings issued at floating rates were primarily denominated in New Taiwan Dollars.
- b. If the borrowing interest rate increases or decreases by 0.1%, while all other factors remain constant, the after-tax net profit for the years 2023 and 2022 will increase or decrease by NT\$542 thousand and NT\$562 thousand, respectively. This is mainly due to the variability of interest expense resulting from the floating-rate borrowings.

B. Credit Risk

- a. The credit risk of the Company arises from the risk of financial loss due to counterparties' failure to fulfill their contractual obligations in transactions with customers or financial instruments. This risk mainly comes from counter parties' inability to settle receivables according to the payment terms.
- b. The Company examines the creditworthiness of banks and financial institutions with which it deals and accepts them as counterparties only after assessing their credit quality to be satisfactory. In accordance with the internally established credit policy, each operating entity within the Company and each new customer must undergo management and credit risk analysis before the terms and conditions of payment and delivery are established. Internal risk management is achieved by evaluating the credit quality of customers through consideration of

their financial condition, past experience, and other factors. Individual risk limits are established by the Board of Directors based on internal or external ratings, and the use of credit limits is monitored regularly.

- c. The Company adopts a credit risk management procedure to assess whether there has been a significant increase in credit risk for financial instruments since their initial recognition. When contractually due payments are past due for more than 90 days, it is considered that the credit risk of the financial asset has significantly increased since its initial recognition, and individual assessment is applied.
- d. The Company classifies its trade receivables and contract assets by customer credit ratings, and uses a simplified approach based on the loss rate method to estimate expected credit losses.
- e. The Company first evaluates and recognizes impairment losses for individual receivables for which objective evidence indicates that they cannot be collected. For other receivables, the Company estimates expected credit losses using a simplified approach based on the loss rate method, which is established based on historical and current information over a specific period and with future forward-looking considerations. As of December 31, 2023 and 2022, the accumulated allowance for doubtful accounts for individually assessed accounts receivable was both NT\$0. For the remaining accounts receivable, the accumulated allowance for doubtful accounts were NT\$1,553 thousand and NT\$2,153 thousand, estimated based on expected credit losses. The provision matrix is as follows:

	<u>Not Overdue</u>	<u>1 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
<u>Dec. 31, 2023</u>					
Expected Loss Rate	0%-1%	1%-2%	2.5%-35%	43%-100%	
Total Book Value	\$ 357,430	\$ 16,586	\$ 1,204	\$ 1,533	\$ 376,753
Loss Allowance	(12)	(90)	(34)	(1,417)	(1,553)
<u>Dec. 31, 2022</u>					
Expected Loss Rate	0%-0.3%	0.3%-10%	12%-50%	55%-100%	
Total Book Value	\$ 337,990	\$ 5,363	\$ 13	\$ 1,482	\$ 344,848
Loss Allowance	(603)	(189)	(6)	(1,355)	(2,153)

- f. The table below shows the changes in the allowance for doubtful accounts using the simplified approach for the Company:

	<u>2023</u>	<u>2022</u>
Jan. 1	\$ 2,153	\$ 2,153
Provision for Impairment Loss (Reversal)	(600)	-
Dec. 31	<u>\$ 1,553</u>	<u>\$ 2,153</u>

C. Liquidity risk

- a. The finance department of the Company monitors the forecast of the Company's liquidity needs to ensure that it has sufficient funds to support its operations and maintains adequate unused borrowing commitments at all times to avoid violating relevant borrowing limits or terms.
- b. The following table shows the non-derivative financial liabilities of the Company grouped by the relevant maturity date, and the contractual cash flow amounts disclosed in the table are undiscounted, analyzed based on the remaining period from the balance sheet date to the contract maturity date.
- c. Details of the unused loan facilities of the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating Rate		
Due within One Year	\$ 1,302,271	\$ 1,323,102
Fixed Interest Rate		
Due within One Year	-	-
Due after One Year	<u>-</u>	<u>-</u>
	<u>\$ 1,302,271</u>	<u>\$ 1,323,102</u>

- d. The table below provides a breakdown of the Company's financial liabilities, both derivative and non-derivative, that are settled either on a net or gross basis, categorized according to their respective maturity periods. Non-derivative financial liabilities are analyzed based on the remaining time from the balance sheet date to their contractual maturity date, while derivative financial liabilities are analyzed based on their remaining time from the balance sheet date to their expected maturity date. Please note that the cash flow amounts disclosed in the table are not discounted.

Non-derivative Financial Liabilities

	<u>Less than</u>	<u>3 Months to</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>Over</u>	
Dec. 31, 2023	<u>3 Months</u>	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>5 Years</u>	<u>Total</u>
Short-term Borrowing	\$ 192,863	\$ 117,237	\$ -	\$ -	\$ -	\$ 310,100
Short-term Notes Payable	30,000	-	-	-	-	30,000

Notes Payable						
(Including Related Parties)	68,350	-	-	-	-	68,350
Accounts Payable						
(Including Related Parties)	189,136	-	-	-	-	189,136
Other Payables	130,771	-	-	-	-	130,771
Lease Liabilities	340	1,020	1,359	1,279	-	3,998
Bond Payable	-	-	-	304,523	-	304,523
Long-term Borrowing	30,171	124,652	102,707	90,491	-	348,021
Deposits Received for Guarantee	-	-	-	-	4,444	4,444

Non-derivative Financial Liabilities

	<u>Less than</u>	<u>3 Months to</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>Over</u>	
Dec. 31, 2022	<u>3 Months</u>	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>5 Years</u>	<u>Total</u>
Short-term Borrowing	\$ 100,228	\$ 98,213	\$ -	\$ -	\$ -	\$ 198,441
Notes Payable						
(Including Related Parties)	106,909	-	-	-	-	106,909
Accounts Payable						
(Including Related Parties)	126,132	-	-	-	-	126,132
Other Payables	144,101	-	-	-	-	144,101
Lease Liabilities	523	1,542	1,997	2,639	-	6,701
Bond Payable	-	-	-	-	304,523	304,523
Long-term Borrowing	43,510	129,819	154,134	180,583	11,940	519,986
Deposits Received for Guarantee	-	-	-	-	4,194	4,194

(3) Fair Value Information

1. The definitions of each level of valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: The fair value of assets or liabilities measured on the reporting date is based on quoted prices (unadjusted) for identical assets or liabilities in an active market. An active market is a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: The fair value of assets or liabilities is determined using directly or indirectly observable inputs, but not including quoted prices included in Level 1. Non-listed equity investments held by the Company belong to this level.

Level 3: The fair value of assets or liabilities is determined using unobservable inputs. The equity instruments without an active market held by the Company belong to this level.

2. Please refer to Note 6(11) for information on the fair value of investment properties measured at cost by the Company.
3. Financial Instruments not Measured at Fair Value
 - A. The financial instruments of this Company that are not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), deposits received, short-term borrowings, short-term notes payable, commercial papers payable (including related parties), accounts payable (including related parties), other payables, long-term borrowings (including those due within one year or one operating cycle), deposits received from customers, and lease liabilities (including those due within one year or one operating cycle)) are reasonably approximated at fair value by their carrying amounts, except for those listed in the following table:

December 31, 2023				
		<u>Fair Value</u>		
	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Liabilities:				
Bonds Payable	\$ 295,720	\$ -	\$ 294,780	\$ -

December 31, 2022				
		<u>Fair Value</u>		
	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial Liabilities:				
Bonds Payable	\$ 287,569	\$ -	\$ 287,580	\$ -

- B. The methods and assumptions used to estimate fair value are as follows:
The bonds payable are measured at the present value of expected future cash flows using market interest rates as of the balance sheet date.
4. The financial and non-financial instruments measured at fair value by the Company are classified based on the nature, characteristics, risk, and fair value hierarchy of the assets and liabilities. The relevant information is as follows:
 - A. The instruments are classified by the Company based on the nature of the assets and liabilities, and the information is presented below:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring Fair Value</u>				
Financial Assets at Fair Value through Other Comprehensive Income:				
-Unlisted Company Stocks	-	4,675	59,963	64,638

	<u>\$ -</u>	<u>\$ 4,675</u>	<u>\$ 59,963</u>	<u>\$ 64,638</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring Fair Value</u>				
Financial Assets at Fair Value through Profit or Loss:				
-Convertible Bonds Redemption Rights	\$ -	\$ -	\$ 180	\$ 180
Financial Assets at Fair Value through Other Comprehensive Income:				
-Unlisted Company Stocks	<u>-</u>	<u>4,575</u>	<u>55,143</u>	<u>59,718</u>
	<u>\$ -</u>	<u>\$ 4,575</u>	<u>\$ 55,323</u>	<u>\$ 59,898</u>

- B. The methods and assumptions used by the Company to measure fair value are described as follows:
- a. The Company did not use market quotes as input values for measuring fair value (i.e. Level 1).
 - b. The investment in Changhua Golf Club Co., Ltd. by the Company is valued using publicly quoted member certificate prices as the input for fair value measurement (Level 2).
 - c. The output of the valuation models is an estimated fair value, which may not reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, the estimated fair value is appropriately adjusted based on additional parameters, such as model risk or liquidity risk. According to the Company's fair value measurement policies and related control procedures, the management believes that such adjustments are necessary and appropriate to reasonably represent the fair values of the financial and non-financial instruments in the consolidated balance sheet. The pricing information and parameters used in the valuation process are prudently evaluated and appropriately adjusted based on current market conditions, in accordance with the Company's fair value measurement policies.
 - d. The Company incorporates credit risk adjustments into the fair value measurement of financial and non-financial instruments to reflect both counterparty credit risk and the Company's own credit quality.
5. There were no transfers between Level 1 and Level 2 during years 2023 and 2022.
6. The following table shows the changes in Level 3 as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 55,323	\$ 83,833
Additions during the Period	-	3,270
Gain or Loss Recognized in P/L		
Recognized as Non-operating Income or Expense	(180)	(3,090)
Gain or Loss recognized in other comprehensive income	<u>4,820</u>	<u>(28,690)</u>

Ending Balance \$ 59,963 \$ 55,323

7. The Company's valuation process for Level 3 investments of illiquid equity instruments involves independent fair value verification by the Company's finance department, using independent sources of data to ensure that the valuation results are consistent with market conditions and represent executable prices. The process includes regular calibration of valuation models, back-testing, updating of model inputs and data, and any other necessary fair value adjustments to ensure that the valuation results are reasonable. The fair value of the bonds payable and convertible bonds redemption rights is valued by external valuers.
8. The quantitative information of significant unobservable input used in the valuation model for Level 3 fair value measurement items and sensitivity analysis of significant unobservable input changes are described as follows:

	<u>Fair Value at</u> <u>Dec. 31, 2023</u>	<u>Valuation</u> <u>Technique</u>	<u>Significant</u> <u>Unobservable Inputs</u>	<u>Range</u> <u>(Weighted</u> <u>Average)</u>	<u>Relationship</u> <u>between Inputs and</u> <u>Fair Value</u>
Non-derivative Equity Instruments					
Equity Instruments of Non-listed Companies	\$ 551	Comparable Company Analysis	Price-to-Book Ratio	0.12~0.32	Higher multiplier premiums lead to higher fair values.
Equity Instruments of Non-listed Companies	59,412	Net Asset Value Method	Not Applicable	-	Not Applicable
Redemption Rights of Convertible Bonds	-	Binomial Tree Pricing Model	Stock Price Volatility	12.2%	Higher multiplier premiums lead to higher fair values

	<u>Fair Value at</u> <u>Dec. 31, 2022</u>	<u>Valuation</u> <u>Technique</u>	<u>Significant</u> <u>Unobservable Inputs</u>	<u>Range</u> <u>(Weighted</u> <u>Average)</u>	<u>Relationship</u> <u>between Inputs and</u> <u>Fair Value</u>
Non-derivative Equity Instruments					
Equity Instruments of Non-listed Companies	\$ 472	Comparable Company Analysis	Price-to-Book Ratio	0.11~0.45	Higher multiplier premiums lead to higher fair values.
Equity Instruments of Non-listed Companies	54,671	Net Asset Value Method	Not Applicable	-	Not Applicable
Redemption Rights of Convertible Bonds	180	Binomial Tree Pricing Model	Stock Price Volatility	20.6%	Higher multiplier premiums lead to higher fair values

9. The Company has carefully assessed the selection of valuation models and parameters. However, the use of different valuation models or parameters may result in different valuation results. For financial assets and liabilities classified as Level 3, changes in valuation parameters would impact the current period's profit or loss or other comprehensive income as follows:

		<u>December 31, 2023</u>					
				<u>Recognized in Profit or Loss</u>		<u>Recognized in other Comprehensive Income</u>	
				<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
		<u>Input Value</u>	<u>Change</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>
Financial Assets							
Equity Instruments	Price-to-Book Ratio		±5%	\$ -	\$ -	\$ 28	(\$ 28)
Convertible Bonds Redemption Option	Volatility		±5%	-	-	-	-
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>(\$ 28)</u>
		<u>December 31, 2022</u>					
				<u>Recognized in Profit or Loss</u>		<u>Recognized in other Comprehensive Income</u>	
				<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
		<u>Input Value</u>	<u>Change</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>
Financial Assets							
Equity Instruments	Price-to-Book Ratio		±5%	\$ -	\$ -	\$ 24	(\$ 24)
Convertible Bonds Redemption Option	Volatility		±5%	360	-	-	-
				<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>(\$ 24)</u>

13. Disclosures

- (1) Significant transaction-related information:
1. Loans to others: Please refer to Table 1 for details.
 2. Endorsement or guarantees for others: Please refer to Table 2 for details
 3. Holdings of securities at the end of the period (excluding investments in subsidiaries, affiliated enterprises, and joint control): Please refer to Table 3 for details.
 4. Cumulative purchase or sale of the same securities reaches NT\$300 million or 20% of the paid-in capital: None.
 5. Acquisition of real estate reaches NT\$300 million or 20% of the paid-in capital: None
 6. Disposal of real estate reaches NT\$300 million or 20% of the paid-in capital: None.
 7. Sales or purchases of goods or services to related parties reach NT\$100 million or 20% of the paid-in capital: Please refer to Table 4 for details
 8. Receivables from related parties reach NT\$100 million or 20% of the paid-in capital: None.
 9. Derivative transactions: None.
 10. Business relationships and significant transactions between the parent company and its subsidiaries and between the subsidiaries, and the amounts involved: Please refer to Table 5 for details.

- (2) Information on Investment in Subsidiary/Affiliate Companies
Name and location of the invested companies (excluding companies invested in Mainland China): Please refer to Table 6 for details.
- (3) Mainland China Investment Information
 - 1. Basic information: please refer to Table 7 for details.
 - 2. Significant transactions occurred between the invested companies in Mainland China and the Company through a third-party entity or a direct/indirect investment: please refer to Note 13(1) for details on significant transaction information.
- (4) Information on Major Shareholders
Information on major shareholders: please refer to Table 8 in the attached notes.

14. Segment Information

Not Applicable

HONMYUE ENTERPRISE CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 1,277
Bank Deposits:		
NTD Check Deposits		2,098
NTD Demand Deposits		75,477
Foreign Currency Demand Deposits	USD 961 thousand, exchange rate approximately 1:30.705	29,518
	HKD 36 thousand, exchange rate approximately 1:3.929	143
	RMB 25,174 thousand, exchange rate approximately 1:4.3224	108,813
	EUR 0.4 thousand, exchange rate approximately 1:33.98	14
	JPY 10,414 thousand, exchange rate approximately 1:0.2172	2,262
Time Deposits	USD 2,000 thousand, exchange rate approximately 1:30.705	61,410
		<u>\$ 281,012</u>

HONMYUE ENTERPRISE CO., LTD.

Net Accounts Receivable

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Customer</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Related Parties:			
Hongyu Textile Zhejiang Co., Ltd		\$ 27,962	
Nuwa Enterprise Co., Ltd.		22,194	
Other		1,688	None of the outstanding balances of each single customers exceed 5% of the balance of this account.
		51,844	
Less: Allowance for Doubtful Accounts		-	
		<u>\$ 51,844</u>	
Non-related Parties			
Customer A		\$ 76,696	
Customer B		46,434	
Customer C		17,540	
Other		180,782	None of the outstanding balances of each single customers exceed 5% of the balance of this account.
		321,452	
Less: Allowance for Doubtful Accounts		(1,553)	
		<u>\$ 319,899</u>	

HONMYUE ENTERPRISE CO., LTD.

Inventories

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>		<u>Market Valuation Methods</u>
		<u>Costs</u>	<u>Market Value</u>	
Raw Materials		\$ 183,864	\$ 173,498	Revalued cost
Materials		2,906	2,906	Revalued cost
Work in Progress		108,404	109,103	Net realizable value
Finishing Goods		<u>411,812</u>	<u>426,988</u>	Net realizable value
		706,986	<u>\$ 712,495</u>	
Less: Allowance for Obsolete and Slow-Moving Inventory		<u>(66,049)</u>		
		<u>\$ 640,937</u>		

HONMYUE ENTERPRISE CO., LTD.
Changes in Property, Plant and Equipment
January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Increase for the Period</u>	<u>Decrease for the Period</u>	<u>Ending Balance</u>	<u>Collateralized or Pledged</u>	<u>Remarks</u>
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Please refer to Note 6(8) for details of changes in property, plant, and equipment during the period.

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HONMYUE ENTERPRISE CO., LTD.

Accumulated Depreciation and Impairment on Property, Plant and Equipment

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Beginning Balance</u>	<u>Increase for the Period</u>	<u>Decrease for the Period</u>	<u>Ending Balance</u>	<u>Collateralized or Pledged</u>
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Please refer to Note 6(8) for details of changes in property, plant, and equipment during the period.

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HONMYUE ENTERPRISE CO., LTD.

Short-term Borrowings

December 31, 2023

(In Thousands of New Taiwan Dollars)

Items	<u>Beginning Balance</u>		<u>Increase for the Period (Note 3)</u>		<u>Decrease for the Period (Note 4)</u>		Share	Equity Ownership Ratio	<u>Ending Balance</u>			<u>Market Value or Net Equity Collateralized or Pledged</u>		Remarks
	Shares	Amount	Shares	Amount	Shares	Amount			Amount	Unit Price	Total Price			
Hongyu Holdings L.L.C.	-	\$ 473,327	-	\$ -	-	(\$ 27,209)	-	100%	\$ 446,118	-	\$ 446,118	None	Note 1	
Wenfa Development Co., Ltd.	-	69,467	-	8,384	-	(8,520)	-	100%	69,331	-	69,331	None	Note 1	
Utex Innovation Co., Ltd.	13,000	54,727	3,000	30,000	(5,200)	(14,807)	10,800	90%	69,920	-	69,920	None	Note 2	
Jiujiang Deyu Textile Technology Co., Ltd.	-	483,305	-	-	-	(33,809)	-	100%	449,496	-	449,496	None	Note 1	
Total		<u>\$ 1,080,826</u>		<u>\$ 38,384</u>		<u>(\$ 84,345)</u>			<u>\$ 1,034,865</u>		<u>\$ 1,034,865</u>			

Note 1: The Company is a limited company with no share count.

Note 2: Share count is expressed in thousands

Note 3: The increase for the period recognized using the equity method includes investment income of \$8,384, and increased investment amount of \$30,000

Note 4: The decrease for the period recognized using the equity method includes investment loss of \$55,812 and exchange differences arising from the translation of financial statements of foreign operating entities of \$18,926, the subsidiary's profit repatriation amount is \$8,520, and other equity change is \$1,087

HONMYUE ENTERPRISE CO., LTD.

Short-term Borrowings

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Creditors</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Term</u>	<u>Interest Rate</u>	<u>Borrowing Amount</u>	<u>Collateralized or Pledged</u>	<u>Remarks</u>
First Bank	Credit Loans	\$ 30,000	2023/11/13-2024/01/12	1.78%	-	None	
Chang Hwa Commercial Bank	Credit Loans	20,000	2023/12/13-2024/06/13	1.99%	-	None	
CTBC Bank	Credit Loans	30,000	2023/12/28-2024/03/28	1.85%	-	None	
CTBC Bank	Loan for purchasing materials	41,567	2023/10/06-2024/04/08	1.98%	-	None	
Hua Nan Bank	Credit Loans	20,000	2023/11/20-2024/05/20	2.00%	-	None	
Yuanta Bank	Credit Loans	20,000	2023/10/12-2024/01/10	1.75%	-	None	
Shin Kong Bank	Credit Loans	30,000	2023/12/11-2024/06/11	1.76%	-	None	
Taiwan Bank	Secured Loans	58,973	2023/09/11-2024/05/21	1.90%	-	Land, building, and investment properties	
Mega International Commercial Bank	Secured Loans	58,309	2023/07/14-2024/05/04	1.70%	-	Land, building, and investment properties	
		<u>\$ 308,849</u>					

HONMYUE ENTERPRISE CO., LTD.

Notes Payable

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Supplier</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Related Parties:		<u>\$ 2,372</u>	
Non-Related Parties:			
Supplier A		\$ 19,400	
Supplier B		4,042	
Supplier C		4,000	
Supplier D		3,919	
Supplier E		3,606	
Other		31,011	No individual supplier balance exceeds 5% of this account.
		<u>\$ 65,978</u>	

HONMYUE ENTERPRISE CO., LTD.

Accounts Payable

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Supplier</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Related Parties:		<u>\$ 4,583</u>	
Non-related Parties:			
Supplier A		\$ 29,443	
Supplier B		23,229	
Supplier C		21,777	
Supplier D		17,985	
Supplier E		17,496	
Supplier F		16,884	
Supplier G		12,349	
Other		45,390	No individual supplier balance exceeds 5% of this account.
		<u>\$ 184,553</u>	

HONMYUE ENTERPRISE CO., LTD.

Other Payable

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item

Summary

Amount

Please refer to Note 6 (14) and 7(2) for information on other payable.

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HONMYUE ENTERPRISE CO., LTD.

Bonds Payable

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Bond</u>	<u>Trustee</u>	<u>Issue Date</u>	<u>Interest Payment Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Amount Repaid</u>	<u>Amount</u>		<u>Carrying Amount</u>	<u>Repayment Collateral</u>	
							<u>Ending Balance</u>	<u>Unamortized Premium/Discount</u>		<u>Methods</u>	<u>Situation</u>
Domestic Second Unsecured Convertible Corporate Bonds	Mega Securities Co., Ltd.	Jan. 26, 2022	Note	109.01%	\$ 300,000	\$ -	\$ 302,886	(\$ 7,166)	\$ 295,720	Note	No Collateral

Note: Please refer to Note 6(15) for information on interest payment dates and repayment methods.

HONMYUE ENTERPRISE CO., LTD.

Long-term Borrowings

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Lender</u>	<u>Summary</u>	<u>Loan Amount</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral or Guarantee</u>	<u>Remarks</u>
Bank of Taiwan	Medium and Long-Term Borrowings	\$ 50,000	2019/08/13-2024/08/13	2.14%	Land and building	
Bank of Taiwan	Medium and Long-Term Borrowings	100,000	2020/10/13-2025/10/13	2.36%	Land and building	
Mega International Commercial Bank	Medium and Long-Term Borrowings	62,500	2019/11/20-2026/11/20	2.03%	Land, building and investment properties	
Mega International Commercial Bank	Medium and Long-Term Borrowings	126,190	2021/05/20-2028/05/20	2.03%	Land, building and investment properties	
Less: Long-term borrowings due within one year		(150,000)				
		<u>\$ 188,690</u>				

HONMYUE ENTERPRISE CO., LTD.

Operating Revenue

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Product</u>	<u>Unit</u>	<u>Quantity</u> <u>(In Thousands)</u>	<u>Amount</u>	<u>Remarks</u>
Filament fabric	Yard	89,373	\$ 1,793,494	
Other			215,767	No individual product balance exceeds 5% of the balance of this account
			2,009,261	
Less: Sales returns and allowances			(12,650)	
Net sales revenue			<u>\$ 1,996,611</u>	

HONMYUE ENTERPRISE CO., LTD.

Operating Costs

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>	<u>Remarks</u>
Beginning Raw Material	168,589	
Add: Raw Material Purchased in the Period	1,121,114	
Raw Material Inventory Gains	546	
Less: Ending Raw Material	(183,864)	
Transferred to Various Expenses	(1,826)	
Sales of Raw Material	(10,984)	
Raw Material Used in the Period	1,093,575	
Beginning Material	3,215	
Add: Material Purchased in the Period	36,584	
Less: Ending Material	(2,906)	
Sales of Material	(368)	
Material Used in the Period	36,525	
Raw Material and Material Used in the Period	1,130,100	
Direct Labor	161,078	
Manufacturing Costs	482,474	
Production Costs	1,773,652	
Add: Beginning Work in Progress	100,489	
Less: Ending Work in Progress	(108,404)	
Work in Progress Inventory Loss	(1,908)	
Finishing Goods Cost	1,763,829	
Add: Beginning Finishing Goods	400,228	
Finishing Goods Purchased in the Period	79,145	
Less: Ending Finishing Goods	(411,812)	
Transferred to Various Expenses	(6,554)	
Finishing Goods Inventory Loss	(1,302)	
Cost of Goods Sold	1,823,534	
Add: Sales of Raw Material	11,352	
Inventory Loss	2,664	
Less: Sales of Scraps	(16,691)	
Operating Cost	<u>\$ 1,820,859</u>	

HONMYUE ENTERPRISE CO., LTD.

Manufacturing Costs

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Processing Costs		\$ 188,150	
Electricity Costs		78,465	
Wage Expenses		43,984	
Depreciation		48,210	
Repair and Maintenance Costs		38,880	
Yarn Costs		27,799	
Other Manufacturing Expenses		56,986	No individual cost balance exceeds 5% of the balance of this account
		<u>\$ 482,474</u>	

HONMYUE ENTERPRISE CO., LTD.

Sales Expenses

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Wage Expenses		\$ 35,185	
Export Expenses		13,695	
Packaging Expenses		7,461	
Other Expenses		20,825	No individual expense balance exceeds 5% of the balance of this account
		<u>\$ 77,166</u>	

HONMYUE ENTERPRISE CO., LTD.

Management Expenses

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Wage Expenses		\$ 51,847	
Insurance Expenses		5,690	
Labor Compensation		5,988	
Other Expenses		20,503	No individual expense balance exceeds 5% of the balance of this account
		<u>\$ 84,028</u>	

HONMYUE ENTERPRISE CO., LTD.

Research and Development Expenses

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Wage Expenses		\$ 11,578	
Service Remuneration		5,393	
Other		10,993	No individual expense balance exceeds 5% of the balance of this account
		<u>\$ 27,964</u>	

HONMYUE ENTERPRISE CO., LTD.

Other Income

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Please refer to Note 6(23) for information regarding other income for the current period. (Intentionally left blank)			

HONMYUE ENTERPRISE CO., LTD.

Net Other Gains and Losses

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

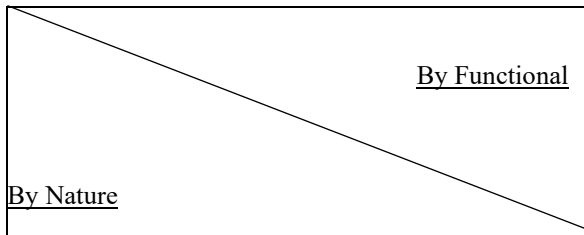
<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Please refer to Note 6(24) for information regarding other gains and losses. (Intentionally left blank)			

HONMYUE ENTERPRISE CO., LTD.

Function-wise Summary of Employee Benefits, Depreciation, Amortization and Impairment Expenses in the Period

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)



Year 2023

Cost of Goods Sold

Operating Expenses

Total

Please refer to 6(26)(27) for information on employee benefits, depreciation, amortization and amortization expenses incurred during the current period

HONMYUE ENTERPRISE CO., LTD.

Financial Costs

January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Summary	Amount	Remarks
Please refer to Note 6(25) for information on Financial Costs.			
(Intentionally left blank)			

HONMYUE ENTERPRISE CO., LTD.

Loan to Others

January 1 to December 31, 2023

Table 1

(In Thousands of New Taiwan Dollars unless otherwise specified)

No. (Note 1)	Lender	Borrower	Transaction Item	Related Parties	Current	Ending	Actual	Interest Rate	Nature of Fund	Business	Reason for Short-term Financing	Allowance	Collateral		Limit on funds loaned	Total credit limit	Note
					Maximum Amount	Balance	Disbursement Amount	Range	Lending (Note 2)	Transaction Amount		for Doubtful Amount	Item	Value	to individual parties (Note 3)	for funds lent (Note 3)	
0	The Company	Hongyu Zhejiang Textile Co., Ltd.	Other Receivable - Related Parties	Yes	\$ 161,350	\$ -	\$ -	-	2	\$ -	Operating Turnover and Repayment of External Debt	\$ -	-	\$-	\$ -	\$ -	
0	The Company	Jiujiang Deyu Textile Technology Co., Ltd	Other Receivable - Related Parties	Yes	161,350	153,525	86,448	2.3%-4.3%	2	-	Operating Turnover	-	-	-	200,401	801,605	Note 4
0	The Company	Utex Innovation Co., Ltd.	Other Receivable - Related Parties	Yes	30,000	-	-	-	2	-	Operating Turnover	-	-	-	-	-	
0	The Company	Zhejiang Yaoliang Textile Co., Ltd	Other Receivable - Related Parties	Yes	31,311	15,255	15,255	-	1	31,311	Business relationship	-	-	-	31,311	801,605	Note 5

Note 1: Numbering sequence are as follows:

- (1) The Company is shown as '0'.
- (2) The Subsidiaries are numbered in numerical order starting from '1'.

Note 2: The instructions for filling in the nature of the funds loaned are as follows:

- (1) For those with business dealings, please refer to 1.
- (2) For those with a necessary need for short-term working capital, please refer to 2.

Note 3:

- (1) The total amount of funds lent by the Company shall not exceed 40% of the Company's net worth, except for short-term funding necessary between companies or banks, which shall not exceed 10% of the Company's net worth.
- (2) The total amount of funds lent to individual entities shall not exceed 10% of the Company's net worth.
- (3) For foreign companies where the Company holds 100% of the voting rights directly or indirectly, the amount of funds lent shall not exceed 40% of the Company's net worth.
- (4) For companies or banks with business transactions with the Company, the individual lending amount shall not exceed the amount of business transactions between the two parties, whichever is higher. The amount of business transactions refers to the higher amount of purchases or sales between the two parties.

Note 4:

On March 28, 2023, the Board of Directors approved the funding loans to Jiujiang Deyu Textile Technology Co., Ltd in the amounts of USD 5,000 thousand. (Calculated based on the spot buying and selling exchange rate of USD to TWD on December 31, 2023, which was 30.705).

Note 5:

On May 12, 2023, the Board of Directors approved the reclassification of overdue accounts receivable from Zhejiang Yaoliang Textile Co., Ltd. As lending fund.

HONMYUE ENTERPRISE CO., LTD.

Provision of endorsements and guarantees to others

January 1 to December 31, 2023

Table 2

Expressed in thousands of TWD (Except as otherwise indicated)

No. (Note 1)	Endorser / Guarantor Company name	Party being endorsed/guaranteed Company name	Relationship with the endorser /guarantor (Note 2)	Limit on endorsements/guarant ees provided for a single party (Note3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023 (Note 4)	Outstanding endorsement/guarante e amount at December 31, 2023 (Note 4)	Actual amount drawn down (Note 4)	Amount of endorsements/gu arantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guaranto r company (%)	Ceiling on total amount of endorsements/guarante es provided (Note 3)	Provision of			Food note
											Provision of endorsements/guarante es by parent subsidiary company to	Provision of endorsements/guarante es by parent subsidiary company	Provision of endorsements/guarante es to the party in Mainland China	
0	Honmyue Enterprise Co., Ltd	Jiujiang Deyu TextileTechnology Co., Ltd	2	\$ 801,605	\$ 43,224	\$ 43,224	\$ -	\$ -	2.16%	\$ 1,002,007	Y	N	Y	

Note 1 : Explanation as follows :

- (1).Endorser/ Guarantor : 0
- (2).The invested companies are sequentially numbered by company type starting from 1

Note 2 : The relationships between the endorser and the guaranteed company are classified into the following seven types.

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)The Company engaged in mutual insurance according to contractual term between same industry or co-applicants based on the needs of contracting projects.
- (6) The company that endorsed by all shareholders in accordance with their respective shareholding ratios due to joint investment.
- (7)The joint and several guarantee for pre-sale housing sales contracts in accordance with consumer protection laws among same industry.

Note 3 : According to the regulations of endorsement and guarantee :

- (1)The total endorsements and guarantees of the Company to others should not be in excess 50 % of the Company's net value.
- (2) The company directly and indirectly holds more than 100% of the ordinary shares shall not exceed 40% of the current net value.
- (3)The maximum endorsements and guarantees of the Company to a single party should not be in excess of 10% of the Company's net value.

Note 4 : The figures in this table are presented in New Taiwan Dollars (NTD), with a conversion rate of 4.3224 for RMB.

HONMYUE ENTERPRISE CO., LTD.
End-of-Period Holdings of Marketable Securities
(Excluding Investments in Subsidiaries, Associated Companies, and Joint Ventures)

January 1 to December 31, 2023

Table 3

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>Investee Company</u>	<u>Type and Name of Securities Held</u>	<u>Relationship with the Issuer of the Securities Held</u>	<u>Accounting Category</u>	<u>Number of Shares (Thousands)</u>	<u>End-of-Period</u>		<u>Note</u>
					<u>Carrying Amount</u>	<u>Equity Ownership</u>	
Wenfa Development L.L.C.	Stock/China Petrochemical Development Corp.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	421	\$ 5,700	-	\$ 4,115
Wenfa Development L.L.C.	Stock/K Laser Technology Inc.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	80	4,230	-	3,176
Wenfa Development L.L.C.	Stock/Mobiletron Electronics Co., Ltd.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	50	4,197	-	3,575
Wenfa Development L.L.C.	Stock/CyberTAN Technology, Inc	No	Fair value adjustments for financial assets at fair value through profit or loss - current	200	4,385		4,390
			Valuation Adjustment		<u>(3,256)</u>		
					<u>\$ 15,256</u>		
Honmyue Enterprise Co., Ltd.	Stock/Grand and Great Corporation Limited	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	3,000	\$ 91,603	7.14	\$ 59,412
Honmyue Enterprise Co., Ltd.	Stock/Changhua Golf Club Co., Ltd.	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	60	3,820	0.16	4,675
Honmyue Enterprise Co., Ltd.	Stock/Yuan Ta Fiber Co., Ltd.	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	-	1,000	10.00	551
Hongyu Holdings L.L.C.	AKKO Global Stock Ledger	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	-	-	-	-
			Valuation Adjustment		<u>(31,785)</u>		
					<u>\$ 64,638</u>		

HONMYUE ENTERPRISE CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

January 1 to December 31, 2023

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Expressed in thousands of TWD (Except as otherwise indicated)							
				Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Honmyue Enterprise Co., Ltd.	Hongyu Zhejiang Textile Co., Ltd.	Subsidiaries	Sales	\$ 125,566	6.29%	Monthly settlement with 90-day T/T collection	Note 1	Note 1	\$ 27,962	6.52%	Note 2

Note 1: Trading price are conducted in accordance with the transfer pricing policy of Honmyue Enterprise Co., Ltd. Payment terms stipulate a 90-day monthly settlement period with payment to be made via wire transfer.

Note 2: Transactions have been offset in the consolidated financial statements.

HONMYUE ENTERPRISE CO., LTD.
Significant Transactions with and Among Subsidiaries
January 1 to December 31, 2023

Table 5

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>No.</u> (Note 1)	<u>Company</u>	<u>Counterparty</u>	<u>Relationship</u> (Note2)	<u>Account</u>	<u>Amount (Note 4and Note5)</u>	<u>Business Transactions</u>	
						<u>Transaction Terms</u>	<u>Ratio to Total Consolidated Revenue or Total Assets (Note 3)</u>
0	Honmyue Enterprise Co., Ltd.	Hongyu Textile Zhejiang Co., Ltd.	1	Sales	\$ 125,566	Monthly settlement with 90-day T/T collection	4.68%
0	Honmyue Enterprise Co., Ltd.	Hongyu Textile Zhejiang Co., Ltd.	1	Accounts Receivable	27,962	Monthly settlement with 90-day T/T collection	0.74%
0	Honmyue Enterprise Co., Ltd.	Nuwa Enterprise Co., Ltd.	1	Sales	79,158	Monthly settlement with 90-day T/T collection	2.95%
0	Honmyue Enterprise Co., Ltd.	Nuwa Enterprise Co., Ltd.	1	Accounts Receivable	22,194	Monthly settlement with 90-day T/T collection	0.59%
0	Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	1	Processing Fees	61,649	Monthly settlement with 90-day T/T payment	2.30%
0	Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	1	Other Payable	11,905	Monthly settlement with 90-day T/T collection	0.32%
0	Honmyue Enterprise Co., Ltd.	Jiujiang Deyu TextileTechnology Co., Ltd	1	Other Payable	86,448	Loan with principal repayable in full upon maturity	2.30%

Note 1: Numbering sequence for parent company and subsidiaries are as follows:

- (1) The Company is shown as '0'.
- (2) The Subsidiaries are numbered in numerical order starting from '1'.

Note 2: The relationship with the trading party can be categorized as follows:

- (1) The parent company to a subsidiary.
- (2) A subsidiary to the parent company.
- (3) A subsidiary to another subsidiary.
- (4) The parent company to an equity method investee.

Note 3: For the calculation of the ratio of transaction amount to total revenue or total assets, if it is an item of assets and liabilities, the calculation is based on the end-of-period balance as a percentage of total assets. If it is an item of income and expenses, the calculation is based on the accumulated amount as a percentage of total revenue at the end of the interim period.

Note 4: Transactions with an amount less than NTD 10 million do not require disclosure.

Note 5: Transactions have been offset in the consolidated financial statements.

HONMYUE ENTERPRISE CO., LTD.

Information on Investee Company (Excluded Investee Company In Mainland China)

January 1 to December 31, 2023

Table 6

(In Thousands of New Taiwan Dollars unless otherwise specified)

Investor	Investee	Location	Main Business Activities	Initial Investment Amount		Shares Held at Dec. 31, 2023			Investee's Net Income for the Period	Recognized Investment Gain/Loss for the Period	Note
				Balance at End of 2023	Balance at End of 2022	Number of Shares (Thousands)	Equity Ownership (%)	Carrying Amount			
Honmyue Enterprise Co., Ltd.	Hongyu Holdings L.L.C.	U.S.A.	Professional Investment	\$ 681,716	\$ 681,716	-	100.00	\$ 446,116	(\$ 17,887)	(\$ 17,887)	Subsidiary (Note1)
Honmyue Enterprise Co., Ltd.	Wenfa Development L.L.C.	Taiwan	Professional Investment and Medical Equipment Retail Industry	60,000	60,000	-	100.00	69,331	8,384	8,384	Subsidiary (Note1)
Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	Taiwan	Weaving, Dyeing, and Finishing of High-End Fabric	208,000	178,000	10,800	90.00	69,920	(15,458)	(13,720)	Subsidiary
Hongyu Holdings L.L.C.	Hongde Development Co., Ltd.	H.K.	Professional Investment	60,580	60,580	-	38.17	-	-	-	Equity method valuation (Note1)
Wenfa Development L.L.C.	Nuwa Enterprise Co., Ltd.	Taiwan	Outsourced Fabric Manufacturing and Sales	28,000	28,000	2,800	70.00	34,797	9,303	6,512	Subsidiary
Wenfa Development L.L.C.	Honglongfa Development Co., Ltd.	Taiwan	Professional Investment	188	188	19	37.50	128	-	-	Equity method Valuation

Note 1: As a limited company, the Company does not have a share count.

HONMYUE ENTERPRISE CO., LTD.

Information of Mainland China Investments

January 1 to December 31, 2023

Table 7

(In Thousands of New Taiwan Dollars unless otherwise specified)

Investee in Mainland China	Main Business Activities	Paid-in Capital (Note)	Investment Method (Note 1)	Accumulated Investment Amount	Investment Outflow or Inflow in the Period		Accumulated Investment amount	Investee's Net Income (Loss) for the Period	Equity Ownership (%)	Recognized Investment Gain or Loss	Investment Carrying Amount at the	Cumulative Investment Returns	Note
				Transferred from Taiwan at Jan. 1, 2023	Outflow	Inflow	Transferred from Taiwan at the Dec. 31, 2023 (Note 8).			for the Period	Dec. 31, 2023	Repatriated as of Dec. 31, 2023	
Hongyu Textile Zhejiang Co., Ltd.	Manufacturing and sales of cotton silk fiber products and finishing processing.	\$ 525,056	2	\$ 536,721	\$ -	\$ -	\$ 536,721	(\$ 17,887)	100.00	(\$ 17,887)	\$ 446,239	\$ -	Note 3 and 7
Zhejiang Yaoliang Textile Co., Ltd.	Weaving, dyeing, and finishing processing of high-end textile fabrics.	52,199	2	65,692	-	-	65,692	-	38.17	-	-	-	Note 4
Jiujiang Deyu Textile Technology Co., Ltd.	Manufacturing and sales of cotton silk fiber products and finishing processing.	497,076	1	497,590	-	-	497,590	(24,422)	100.00	(24,422)	449,281	-	Note 5
Jiujiang Deyu Textile Technology Co., Ltd.	Weaving, dyeing, and finishing processing of high-end textile fabrics.	21,612	3	-	15,128	-	15,128	-	70.00	-	15,131	-	Note 6

Note 1:

(1) Direct investment in mainland China.

(2) Investment in mainland China through a third-party company, Hongyu Holdings L.L.C.

(3) Investment from Hongyu Textile Zhejiang Co., Ltd

(4) Other methods

Note 2: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 3: The actual paid-in capital is USD 17,100 thousand. The accumulated outbound investment amount is USD 14,242 thousand and JPY 299,876 thousand.

Note 4: The actual paid-in capital is USD 1,700 thousand. The accumulated outbound investment amount is USD 2,000 thousand.

Note 5: The actual paid-in capital is RMB 115,000 thousand, and the accumulated outbound investment amount is RMB 115,000 thousand.

Note 6: The actual paid-in capital is RMB 5,000 thousand, and the accumulated outbound investment amount is RMB 3,500 thousand.

Note 7: The investment income or loss recognized in this period is audited by the accounting firm of the Taiwan parent company.

Note 8: The accumulated outbound investment amount from Taiwan at the end of this period is converted at the original investment exchange rate.

HONMYUE ENTERPRISE CO., LTD.
Information of Mainland China Investments
January 1 to December 31, 2023

(In Thousands of New Taiwan Dollars unless otherwise specified)

Table 7

<u>Company</u>	<u>Accumulated Investment Amount Transferred from Taiwan at Dec. 31, 2023</u>	<u>Investment Amount Approved by the Investment Commission, Ministry of Economic Affairs</u>	<u>Investment Limit to China according to the regulations of Investment Commission, Ministry of Economic Affairs</u>
Honmyue Enterprise Co., Ltd.	\$ 1,060,920	\$ 1,073,078	\$ 1,202,408

Note 1: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 2: The investment limit in mainland China is calculated in accordance with the principles for the examination of investment or technical cooperation in mainland China established by the Ministry of Economic Affairs (60% of the net amount).

Note 3: The cumulative amount of investment transferred from Taiwan to mainland China at the end of this period is US\$16,242 thousand, JPY 299,876 thousand, and RMB 115,000 thousand. The approved investment amount by the Investment Commission of the Ministry of Economic Affairs is US\$34,948 thousand, with exchange rates of 30.705 for USD, 0.2172 for JPY, and 4.3224 for RMB.

HONMYUE ENTERPRISE CO., LTD.

Information on Major Shareholders

January 1 to December 31, 2023

Table 8

<u>Shareholder</u>	<u>Number of Shares (Thousands)</u>	<u>Equity Ownership (%)</u>
Zhen Hong Investment Co., Ltd.	8,767	6.74

If the Company obtains this table information from Taiwan Depository & Clearing Corporation (TDCC), the following notes should be provided:

Note 1:

The major shareholder information in this table is calculated by TDCC based on the total number of ordinary and preferred shares (including treasury stocks) that shareholders have completed transfer without physical registration as of the last business day of each quarter and have reached 5% or more. The actual number of shares issued and outstanding disclosed in the Company's financial report may differ due to different calculation bases.

Note 2:

If the above data is related to shares held under trust, it will be disclosed in individual trust accounts opened by the trustee. As for the reporting of internal shareholding exceeding 10% of the total shares outstanding according to securities laws and regulations, it includes the shares held by the person and those entrusted to them with the decision-making power over trust property. Relevant information on internal shareholding reporting can be found on the Public Information Observation System.