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The website for enquires of this Annual Report:

1. Market Observation Post System (MOPS): <http://mops.twse.com.tw>
2. Website of the company: <http://www.textile-hy.com.tw>

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5. Name of Overseas Securities Exchanges and the method to inquire about its information: None

6. Website of the Company: <http://www.textile-hy.com.tw>

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1. Letter to Shareholders

Dear shareholders, ladies, and gentlemen,

Following the factors of high inflationary spike, high interest rates, and the underperformed economy in post-pandemic China, the global sales in consumers' market turned stagnant quarter by quarter from the second half of 2022 to the year of 2023. Western brands were stranded in a phase of inventory digestion where the purchasing strategies were quite conservative. Moreover, the textiles mills in China have not yet broken away from the recessionary dilemma. The obstructed exports led to an oversupply in the Chinese domestic market, further impacting the upstream, midstream, and downstream textiles mills of our country.

Nonetheless, as a weaving materials supplier of a certain scale in the country, we are capable of taking good control over relations between upstream and downstream supplies which enables us to maintain a higher degree of flexibility and stability in market fluctuations. We will continue to integrate both internal and external resources, keep on innovating and adjusting our response strategies to cope with market challenges, and uphold competitive advantages.

The following is a brief report to the shareholders on our operating results in the previous fiscal year and the business plan and direction for the coming year:

1. Operating results of the previous fiscal year (2023)

(1) Results of the implementation of the business plan

Unit: NTD Thousand

Item	Year		Changes	
	2023	2022	Amount	Changing percentage
Net operating revenue	2,685,726	3,189,020	(503,294)	(15.78%)
Operating gross profit	210,784	406,044	(195,260)	(48.09%)
Operating profit	(91,767)	58,889	(150,656)	(255.83%)
Net profit of the current period	(43,378)	80,569	(123,947)	(153.84%)

(2) Analysis of financial profitability

Item	Year	
	2023	2022
Return on assets	(0.61%)	2.41%
Return on equity	(2.08%)	3.81%
Ratio of net profit before tax to paid-in capital (%)	(3.18%)	8.06%
Net profit margin	(1.62%)	2.53%
Earnings per share (Dollar)	(0.34)	0.60

(3) Status of research and development (R&D):

The Company is dedicated to researching and developing high-value products that fulfill market demands, and follows the four pillars of environmental sustainability, safety and protection, functionality and comfort, and technological fashion as the direction in product development. Facing the uprising of global industrial transition on low-carbon and the target of net-zero and carbon reduction, we will focus the research and development on environmental sustainability, actively develop products in line with the concept of circular economy, and continuously increase the ratio in development and sales of new products that are low-carbon, energy-saving, environmental-friendly, and new-material-recycling. In the meantime, we also committed to research and development projects of new forward-looking products and expansion of potential markets of new textile applications for the enhancement of the overall effectiveness on product research and development. In the textile industry, Honmyue plays a significant role as an international professional supplier of environmentally friendly and functional textile products. Through research and development of new materials and the improvement in techniques of environmentally friendly manufacturing processes, the Company continuously develops sustainable and innovative textile products with a core value of low carbon, circularity, and regeneration.

Significant R&D results of Honmyue in 2023 include the following five:

1. Recycled Ocean Waste High-Tenacity Fabric
2. rPVB Eco-Friendly Vinyl Mesh Outdoor Fabric
3. Eco-Friendly Cotton-Like Mechanical Stretch Fabric
4. Polyester High-Tenacity Eco-Friendly Color Weave Fabric
5. New High-Tenacity Hurricane Netting Fabric

Through the Sustainable Innovation R&D Construction Program of the Ministry of Economic Affairs, the Company continues to upgrade R&D systems, proactively recruit senior R&D talents, introduce interdisciplinary integration on R&D resources in collaboration with local and international research units and consulting specialists, and

perform eco-friendly material researches as well as technical optimization of low-carbon manufacturing. The three major projects include covered composite fibers and netting materials, functional and protective textile products, and R&D of recycling technology with sustainable innovation. The goal of these projects is to develop more eco-friendly and sustainable low-carbon materials to tally with future demands for eco-friendly and functional textile products. Meanwhile, we emphasize on the prospective and advanced R&D transition, nourish independent technical R&D capabilities, and create high added-value products with branding and designing in order to elevate corporate competitiveness.

Moreover, we introduce international environmental verification and evaluation tools and establish the product digital platform to assist the R&D team in evaluating the environmental impact of new materials during the early stages of product design and development. By constantly expanding more product lines that fulfill environmental certification, the Company's image in eco-friendly and green energy products can be enhanced and application markets of new products can be explored.

2. Overview of the 2024 Business Plan and future development strategies of the Company

(1) Overview of the 2024 Business Plan and future development strategies

Honmyue possesses multiple production lines and can react quickly in the highly competitive and challenging industrial environment to provide customers with quality products on time. With the core value of "Creating Customer Value," we are committed to achieving the sustainable development of the textile industry by proactively utilizing domestic and foreign production and marketing resources as well as external supply resources.

To achieve sustainable development, we have invested in carbon reduction equipment, easily degradable materials, easy recycling resources, and biomass materials based on the sides of material choices, process optimization, and equipment renewal to ensure our production process is keeping with the sustainable development principles of environment, social, and corporate governance (ESG).

We are unceasingly upgrading the technical level and applying digital tools to enhance production efficiency and quality. We also constantly cultivate the industrial and furniture fabric markets and expand the markets in garment fabrics and medical textiles. Through service-driven production, we enhance corporate core competitiveness and establish the foundation for the Company's long-term and stable growth.

(2) Expected amount of sales and its foundation

Despite the fact that the global business environment is still full of uncertain factors, we will actively explore new customers and new markets, and simultaneously strengthen the value uplift for our core customers and maintain customer relationships. It is anticipated that the Company's operations will maintain steady growth in the coming year.

(3) Effects from the external competitive environment, regulatory environment, and overall business environment

Global inflation pressure is expected to ease by 2024, which will boost the consuming intention of the public and encourage franchisers to reactivate purchasing activities. The transitioning culture worldwide towards environment, social, and corporate governance (ESG) will also increase demands for green textile products with an expectation of recovery from the trough for global textile industry.

However, our country will encounter the non-stop pressure of ballooning salaries and electricity bills in 2024. Additionally, as the cross-strait trade relationship became tense, Taiwan's trading with China may be hindered because of non-tariff barrier. Simultaneously, low-priced products from China will also increase the competitive pressure in the domestic market, which will adversely affect our production and sales performance of our textile industry.

Facing the external environment with various challenges, the Company will maintain a cautious yet proactive approach in addressing these challenges. We are committed to the value maximization and sustainability of textiles and explore new application areas. We firmly believe that all employees can uphold the business philosophy of "Integrity, Proactivity, Initiative, and Innovation." In view of an uncertain business environment in the future, we will fulfill our social responsibilities through concrete actions and achieve our operational performance goals. We collaborate with our supply chain and customers, seeking mutual benefits and prosperity. Honmyue is committed to becoming a blissful enterprise that encompasses both material and spiritual well-being.

Finally, I would like to wish you all good health and everything goes well with you.

2. Company Profile

(1) Date of establishment: 4th September 1970

(2) Company history:

1. September 1970 Established by our founder, Mr. Ye Zhao-Cheng (葉朝城), with a capital of NTD 3 million, purchasing 60 looms and starting the business as an original equipment manufacturer (OEM) in weaving services.
2. March 1985 With a capital increase of NTD 20 million, the machinery and equipment were expanded, and Honmyue became a significant professional manufacturer of short-fiber industrial base fabrics in the country.
3. November 1989 A capital increase of NTD 60 million to strengthen the financial structure.
4. January 1991 Purchased an industrial land of 14512.89 ping in Chuansing Industrial District and actively engaged in the expansion of the long-fiber fabric manufacturing plant.
5. November 1991 A capital increase of NTD 120 million to build the Shengang Plant and purchase long-fiber weaving equipment.
6. June 1992 The construction of the 2100-ping long-fiber weaving plant in Phase One of the Shengang Plant was completed, and the most innovative set of TSUDAKOMA warping, sizing, and beaming machines from Japan was introduced, as well as 64 water jet looms. We were officially entering the area of long-fiber fabrics.
7. September 1994 A capital increase of NTD 60 million to strengthen the financial structure.
8. 1996 The equipment of the Hemei Plant was renewed and with the introduction of 32 Swiss gripper looms, the capacity of short-fiber fabrics was expanded and the quality was also improved. The Shengang Plant had installed a set of warping and beaming machines and 64 water jet looms to expand the capacity of long-fiber fabrics.
9. June, December 1997 Directors and supervisors were re-elected, and quotas for these positions were increased to strengthen the management lineup.
10. July 1997 The capital increase and public offering were approved by Letter No. 51871 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (1987).
11. October 1997 A capital increase of NTD 380 million to build the administrative office building, purchase the Taipei Office, and strengthen the financial structure.
12. December 1997 The Shengang Plant had renewed its equipment and imported 64 water jet looms from NISSAN, Japan to expand its capacity.
13. February 1998 The long-fiber products from the Shengang Plant of the company had passed the (TUV) ISO-9002 Certification of TÜV Rheinland.
14. March 1998 The equipment of the Hemei Plant was renewed and with the introduction of 51 air jet looms and the renewal of the whole set of warping and sizing equipment, the capacity of short-fiber fabrics was expanded and the quality was also improved.
15. April 1998 The Shengang plant introduced 32 French loom shuttles to increase the product types of long-fiber fabrics and its R&D capabilities.
16. June 1998 The capital increase was approved by Letter No. 55972 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (1987). The paid-in capital was NTD 429,400,000.
17. October 1998 Applied for stock listing on the Over-the-Counter (OTC) market.
18. November 1998 Completion and inauguration of the newly constructed administrative office building.
19. December 1998 The OTC Review Committee approved the application for stock listing.
20. Jun 1999 The company's stocks were officially listed for trading on the OTC.
21. June 1999 The capital increase was approved by Letter No. 56519 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (1989). The paid-in capital was NTD 485,222,000.
22. November 1999 The Shengang plant introduced 28 double-nozzle water jet looms from Toyota, Japan, and 32 single-nozzle water jet loom as well as 60 multi-arm shuttle looms from France.
23. February 2000 The short-fiber products from the Hemei Plant of the company had passed the (TUV) ISO-9002 Certification of TÜV Rheinland.
24. October 2000 The capitalization of retained earnings, capital surplus, and employee dividends was approved by Letter No. 58476 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (2000). The paid-in capital after capitalization was NTD 608,862,120.
25. October 2000 The stock had been transferred from the OTC to the Taiwan Stock Exchange and was officially listed for trading.
26. June 2001 Overseas investment holding company "HONGYU HOLDINGS L.L.C(USA)" was established.
27. October 2001 The capitalization of retained earnings and capital surplus was approved by Letter No. 144127 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (2001). The paid-in capital after capitalization was NTD 730,634,550.
28. December 2001 Completion and inauguration of the newly constructed Shengang Plant, with a size of 5000 ping.
29. July 2002 The capitalization of retained earnings was approved by Letter No. 0910137456 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (2002). The paid-in capital after capitalization was NTD 818,310,700.
30. November 2002 Purchased 56 TSUDAKOMA water jet looms.

31. March 2003 The authorized capital was raised to NTD 1,418,310,700, and proposed to conduct a cash capital increase of NTD 150 million and issue convertible corporate bonds of NTD 300 million.
32. May 2003 The cash capital increase was approved by Letter No. 0920118578 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (2003). The paid-in capital was NTD 968,310,700.
33. July 2003 Issued a first 5-year domestic unsecured convertible corporate bond of NTD 300 million on the OTC market.
34. November 2003 The capitalization of retained earnings was approved by Letter No. 0920143501 of the Taiwan Financial Supervisory Commission (Type One), issued by the Securities and Futures Bureau, Ministry of Finance (2003). The paid-in capital after capitalization was NTD 1,036,092,450.
35. March 2004 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09301121290, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,051,629,350.
36. May 2004 To expand the capacities, the land, factories, and equipment of the Chuansing Plant originally owned by Rui Yuan Fiber Co. Ltd were acquired in May 2004.
37. May 2004 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09301075500, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,067,662,120.
38. June 2004 Invested and established Honmyue Textile (Zhejiang) Co., Ltd in Jiaxing City, Zhejiang Province.
39. July 2004 The process of amending the Articles of Corporation was approved by Business Permit No. 09301121290, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,838,310,700.
40. August 2004 The process of issuing new shares through convertible bonds was approved by Business Permit No.09301139710, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,069,562,940.
41. September 2004 The process of issuing new shares through convertible bonds was approved by Business Permit No.09301139710, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,111,928,930.
42. October 2004 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09301202500, issued by the Ministry of Economic Affairs (2004). The paid-in capital after capitalization was NTD 1,112,432,240.
43. January 2005 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09401016450, issued by the Ministry of Economic Affairs (2005). The paid-in capital after capitalization was NTD 1,119,909,710.
44. May 2005 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09401074050, issued by the Ministry of Economic Affairs (2005). The paid-in capital after capitalization was NTD 1,124,504,300.
45. July 2005 The capitalization of retained earnings was approved by Letter No. 0940129600 of the Taiwan Financial Supervisory Commission (Type One), issued by the Financial Supervisory Commission of the Executive Yuan. The paid-in capital after capitalization was NTD 1,214,443,020.
46. August 2005 Invested and established Dongguan Honmyue Textile Technologies Co., Ltd. in Dongguan City, Guangdong Province.
47. August 2006 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09501166150, issued by the Ministry of Economic Affairs (2006). The paid-in capital after capitalization was NTD 1,323,907,880.
48. October 2006 The process of issuing new shares through convertible bonds was approved by Business Permit No. 09501221720, issued by the Ministry of Economic Affairs (2006). The paid-in capital after capitalization was NTD 1,325,715,100.
49. January 2007 Invested and established the joint venture Zhejiang Yaoliang Textile Co., Ltd. Textile (Zhejiang) Co., Ltd in Jiaxing City, Zhejiang Province.
50. May 2008 Passed the official certification of ISO14001 Environmental Management Systems.
51. October 2008 The capitalization of retained earnings of NTD 53,028,610 was approved by Business Permit No. 09701254920, issued in October 2008. The paid-in capital after capitalization was NTD 1,378,743,710.
52. November 2010 Passed the bluesign certification which encompassed the Swiss high standard of environmental protection, health, and safety.
53. December 2010 The Hemei Plant introduced 4 Swiss rapier looms, while the Shengang plant introduced 12 water jet looms from Yiin Chuen.
54. March 2011 The Shengang Plant introduced 140 water jet looms from Yiin Chuen, while the Chuansing Plant introduced 20 water jet looms from Yiin Chuen.
55. May 2011 The Chuansing Plant introduced a Swiss automatic drawing-in machine.
56. July 2012 Passed the GMP certification for surgical gowns and surgical drapes, and obtained the Certificate of Quality Manufacturing in Medical Devices from the Ministry of Health and Welfare, Executive Yuan.
57. December 2012 Obtained the medical device permit from the Ministry of Health and Welfare, Executive Yuan for " 'Honmyue' surgical drape and its accessories."
58. January 2013 Obtained the medical device permit from the Ministry of Health and Welfare, Executive Yuan for " 'Honmyue' surgical gown."
59. July 2013 Obtained the new patent for "Photocatalyst yarn thread".
60. September 2013 The cancellation of treasury stocks of NTD 40,864,020 was approved by Business Permit No. 10201180180, issued by the Ministry of Economic Affairs. The paid-in capital after the capital reduction was NTD 1,337,879,690.

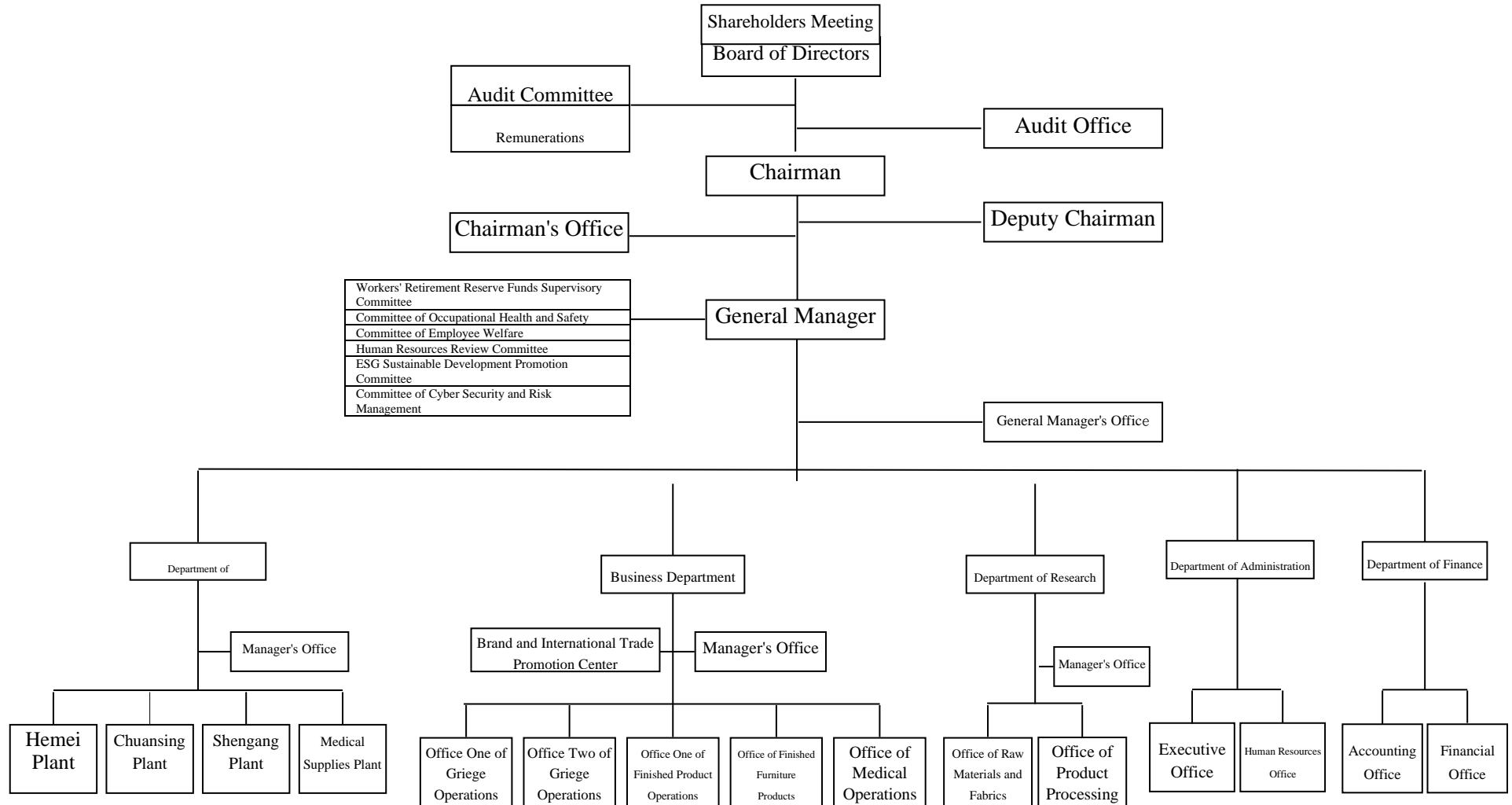
61. September 2014 The cancellation of treasury stocks of NTD 38,910,000 was approved by Business Permit No. 10301185980, issued by the Ministry of Economic Affairs. The paid-in capital after the capital reduction was NTD 1,298,969,690.
62. October 2014 Invested and established Wen Fa Comprehensive Development Co., Ltd.
63. July 2015 Passed the Global Recycle Standard (GRS) for recycling textiles globally.
64. August 2015 Obtained the new patent for "Section dyeing gauze material structure".
65. December 2015 Overseas investment holding company "Home-e Holding Co., Ltd." was established.
66. January 2017 Wen Fa Comprehensive Development Co., Ltd. invested in Nuwa Enterprise Co., Ltd. with a shareholding of 70%.
67. February 2017 Participated in the 2017 ISPO TEXTRENDS Award, in which four of our products were selected as "Top Ten Products".
68. November 2017 Obtained the new patent for "Light efficient composite mesh fabric structure".
69. January 2018 Obtained the new patent for "Roller shutter fabric with luminous display", "Sieve cloth structure featuring tensile strength improvement", and "The embossed structure of PVC rolling curtains".
70. February 2018 Participated in the 2018 ISPO TEXTRENDS Award, in which three of our products were selected as "Top Ten Products", and two were selected as "Outstanding Piece".
71. March 2018 The Chuansing Plant introduced a Swiss automatic drawing-in machine.
72. May 2018 Obtained the new patent for "Composite water pressure cloth", "Cloth body with three-dimensional layer", and "Cotton-like elastic yarn".
73. July 2018 Obtained the new patent for "Improved PVC-coated yarn".
74. July 2018 Invested in Utex Innovation Co., Ltd. with a shareholding of 70%.
75. August 2018 Obtained the new patent for "Environmental mesh" and "Composite yarn with reflective effect".
76. November 2018 Awarded the 3rd 'Group Award for Exemplary Labors' from the Ministry of Labor.
77. December 2018 Invested and established Jiujiang DeYu Textile Technologies Co., Ltd in Jiujiang City, Jiangxi Province.
78. February 2019 Participated in the 2019 ISPO TEXTRENDS Award, in which three of our products were selected as "Top Ten Products", and eight were selected as "Outstanding Piece".
79. June 2019 Engaged in the cash capital increase of Utex Innovation Co., Ltd., and the accumulated shareholding ratio became 80%.
80. July 2019 Obtained the new patent for "Light fabric with paper feeling" and "Color-halo-free printing cloth with wear resistance".
81. August 2019 Obtained the new patent for "Fabric with color mixing effect by double-layer adhesion" and "Repairable and artificially restoring fabric".
82. September 2019 Obtained the new patent for "Three-layer laminating structure for double-sided bag material" and "Wrap yarn structure with cool feeling".
83. November 2019 Awarded Four-Star Award for "Energetic Changhua Blissful Workplace" by the Changhua County Government.
84. January 2020 Participated in the 2020 ISPO TEXTRENDS Award, in which five of our products were selected as "Top Ten Products", and three were selected as "Outstanding Piece".
85. May 2020 Engaged in the cash capital increase of Utex Innovation Co., Ltd., and the accumulated shareholding ratio became 83.33%.
86. November 2020 Awarded "2020 Sporting Enterprise Certification" by the Ministry of Education.
87. January 2021 Participated in the 2021 ISPO TEXTRENDS Award, in which one of our products were selected as "Top Five Products", and five were selected as "Outstanding Piece".
88. April 2021 Engaged in the cash capital increase of Utex Innovation Co., Ltd., and the accumulated shareholding ratio became 86.67%.
89. January 2022 Participated in the 2022 ISPO TEXTRENDS Award, in which three of our products were selected as "Top Ten Products", and one was selected as "Outstanding Piece".
90. August 2022 Awarded 2022 Taiwan Technical Textiles Innovation Award by the Taiwan Technical Textiles Association.
91. October 2022 Awarded Outstanding Piece in the Golden Like Award of Labour Proposals.
92. January 2023 Participated in the 2023 ISPO TEXTRENDS Award, in which two of our products were selected as "Top Ten Products", and two were selected as "Outstanding Piece".
93. January 2024 Participated in the 2024 ISPO TEXTRENDS Award, in which one of our products was selected as "Top Ten Products" and three were selected "Outstanding Piece."
94. January 2024 Awarded "Potential Taiwan Mittelstand Award" by the Industrial Development Administration of the Ministry of Economic Affairs.

3. Corporate Governance Report

3.1 Organization

(1) Structure of Organization

(Record Date: 2023.12.31)



(2) Business Operations of Major Departments

Department	Major Responsibilities
Chairman's Office	<ul style="list-style-type: none"> • The preliminary planning operations for the business blueprint of the company in the future • Execution of special project tasks assigned by the Chairman
Audit Office	<ul style="list-style-type: none"> • Responsible for the audit, anomaly analysis, and improvement recommendations for each company within the group to ensure the integrity of group assets, compliance with laws and regulations, and effective risk management.
General Manager's Office	<ul style="list-style-type: none"> • Assist the group in planning future business directions and key factors for sustainable operations of the company, and integrate group resources to help each company within the group improve operational performance, establish relevant operational mechanisms, and optimize current operational processes. • Based on the company's mid to long-term development strategy planning, an information platform that aligns with the development strategy is established, developed, and maintained. This can assist the group to achieve the valuable goals of enhancing efficiency, reducing costs, and eliminating risks. • Legal affairs and credit-related affairs management • Establishment of a complete supplier management system and the procurement operations of main raw materials. • Promote production and marketing activities, increase production and sales volume, improve production efficiency and quality, reduce costs, ensure profits, and increase benefits. • Formulate, plan, supervise, and promote safety and health management affairs
Department of Production	<ul style="list-style-type: none"> • Organize the implementation of production management work in a planned manner, responsible for the exact execution of factory-related production management systems, and conduct monitoring • Responsible for the implementation of production plans, monitoring production progresses, controlling production processes, and utilizing manpower and resources properly to optimize efficiency and fulfill the requirements of business targets. • Responsible for implementing standardized quality management and cost control management. Ensure reasonable and effective inputs, improve production capacity, enhance quality, reduce costs, and deliver on schedule • Disaster prevention and emergency response treatment • Environmental safety and hygiene, environmental production management, fire safety management, labor safety management • Management of water, electricity, gases, and other energy sources
Business Department	<ul style="list-style-type: none"> • Sales estimation and planning, management of business activities, management of purchased finished products, management of accounts receivable, and after-sales service • Planning and management of the shipment of finished products, integrating and constructing essential resources to provide products and services that meet market demands, and increasing market shares through the creation of customer values • Planning and execution of marketing activities • Planning and production of marketing tools • Market surveys and product merchandising
Department of Research and Technology	<ul style="list-style-type: none"> • Research products that conform to market and customer requirements, thus increasing market shares and achieving the goal of revenue and profits for the company • Research planning and pilot executions of new products • Construction and management of product technology capabilities • Management of product testing and verification
Department of Administration	<ul style="list-style-type: none"> • Optimize the human resources system, integrate human resources management with organizational goals and other management strategies to improve operational performance and shape the competitive advantage of the group • Management and planning of personnel, general affairs, and assets • General operations of price inquiries, negotiations, and procurement for materials, equipment, and centralized purchasing items
Department of Finance	<ul style="list-style-type: none"> • Establish and promote the implementation of accounting and cost management systems in each company within the group, ensuring compliance with the laws and regulations as well as management requirements, and enhancing management performance • Planning of funds and management of accounts receivable, accounts payable, and asset risk management

3.2 Information on Directors, General Manager, Deputy General Manager, Associates, and Head of Departments and Branches

(1) Directors

Information of Directors (1)

28th April 2024

Title	Nationality or place of registration	Name	Gender Age	Date effective	Term of office	Date of first appointment	Shareholding at appointment		Current shareholding		Current spouse & minor shareholding		Shareholding by nominee arrangement		Major Experiences (education)	Other Positions in the Company and another company	Executives, directors, or supervisors who are Spouses or within two degrees of kinship			Remark
							No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %	No. of shares	Shareholding Ratio %	No. of shares	Shareholding ratio %			Title	Name	Relationship	
Chairman	R.O.C.	Ye Ming-Zhou (葉明洲)	Male 71~80	2021.8.27	3 years	1997.6	4,251,421	3.27	4,322,421	3.33	0	0	0	0	Department of Banking and Insurance, Ling Tung University General Manager of the Company	Chairman of the company, Director of Yeh-Meng Metal Ind. Co., Ltd.,	None	None	None	
Deputy Chairman	R.O.C.	Chen Jin-Feng (陳金鳳)	Female 71~80	2021.8.27	3 years	2011.6.28	5,591,080	4.30	5,946,080	4.58	0	0	0	0	Department of Public Finance, Feng Chia University	Deputy Chairman of the company, Chairman of Po Yu Invest Co. Ltd., Chairman of Yeh-Meng Metal Ind. Co., Ltd., Director of Yu Yang Textile Co., Ltd., Chairman of Li Sheng Entrepreneurial Investment Co., Ltd., Supervisor of Li Ding Entrepreneurial Investment Co., Ltd.	Director Deputy General Manager	Ye Jun-Lin (葉俊麟) Ye Bo-Yu (葉博宇)	FDR FDR	
Director	R.O.C.	Guo Zheng-Pei (郭正沛)	Male 61~70	2021.8.27	3 years	2018.6.27	608,856	0.47	679,856	0.52	12,047	0.01	0	0	Department of Fiber and Composite Materials, Feng Chia University Plant manager of Formosa Chemicals and Fiber Corporation	General Manager of the company Independent Director of Acelon Chemicals & Fiber Corporation	None	None	None	
Director	R.O.C.	Ye Jun-Lin (葉俊麟)	Male 41~50	2021.8.27	3 years	2021.8.27	6,097,088	4.69	6,334,088	4.88	0	0	0	0	De Anza College	Special assistant of the General Manager's Office of the company, Chairman of Honmyue Textile (Zhejiang) Co., Ltd., Chairman of Jiujiang Hongzhi Textile Technology Co., Ltd., Chairman of Li Ding Entrepreneurial Investment Co., Ltd., Director of Po Yu Invest Co., Ltd.	Deputy Chairman Deputy General Manager	Chen Jin-Feng (陳金鳳) Ye Bo-Yu (葉博宇)	FDR SDR	
Director	R.O.C.	Lai Ming-Yi (賴明毅)	Male 51~60	2021.8.27	3 years	2015.6.30	344,000	0.26	344,000	0.26	0	0	0	0	PhD of College of Management, National Changhua University of Education	Director of the Company, Director of Acelon Chemicals & Fiber Corporation Deputy General Manager, Spokesperson Director of Acegreen Eco-Material Technology Co., Ltd., Director of Acenature Biotechnology Co., Ltd., Chairman of Jukang Business Corp.	None	None	None	
Director	R.O.C.	Tsai Chen-Hui (蔡振輝)	Male 61~70	2021.8.27	3 years	2021.8.27	0	0	0	0	0	0	0	0	Department of Transportation and Logistics, Feng Chia University Team Leader and Specialist of the Investigation Bureau Supervisor of the company	Director of the Company	None	None	None	
Director	R.O.C.	Hsu Ren-Xing (許仁興)	Male 71~80	2021.8.27	3 years	2021.8.27	0	0	0	0	0	0	0	0	Hsiao Yang Commercial and Vocational School	Director of the Company, Chairman of Fulltide Enterprise Co., Ltd.	None	None	None	
Director	R.O.C.	Wang Mao-Lin (王茂林)	Male 61~70	2021.8.27	3 years	2021.8.27	631,000	0.49	409,000	0.31	0	0	0	0	Department of Economics, Soochow University	Director of the Company, J.J. Wang International Investment Ltd.	None	None	None	

Title	Nationality or place of registration	Name	Gender Age	Date effective	Term of office	Date of first appointment	Shareholding at appointment		Current shareholding		Current spouse & minor shareholding		Shareholding by nominee arrangement		Major Experiences (education)	Other positions in the company and another company	Executives, directors or supervisors who are spouses or within two degrees of kinship			Remark
							No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %	No. of shares	Shareholding Ratio %	No. of shares	Shareholding ratio %			Title	Name	Relationship	
Independent Director	R.O.C.	Lin Hong-Zhao (林宏昭)	Male 61~70	2021.8.27	3 years	2015.6.30	0	0	0	0	0	0	0	0	Department of Nutrition and Health Sciences, Chinese Culture University	Independent Director, Audit Committee member, and Remuneration Committee member of the Company, Chairman of Hsin Hung Yang Inner Decorations Co., Ltd., Chairman of Hong Yang Construction Co. Ltd., Chairman of Jie Cheng Management Consulting Co. Ltd., Chairman of Hsin Hung Yang Investment Co. Ltd.	None	None	None	
Independent Director	R.O.C.	Hsiao Chen-Chi (蕭珍琪)	Male 61~70	2021.8.27	3 years	2018.6.27	0	0	0	0	0	0	0	0	Advanced EMBA, Feng Chia University; Department of Accounting, National ChengChi University Accountant of PwC Taiwan and Director of Taichung; Director of Taichung Certified Public Accountants Association; Vice-President of R.O.C. Certified Public Accountants Association Part-time teacher: Department of Accounting, Feng Chia University and Department of Accounting, Providence University Independent Director: Kian Shen Corporation, China Motor Corporation	Independent Director, Audit Committee member, and Remuneration Committee member of the Company; Independent Director, Audit Committee member, and Remuneration Committee member of United Recommend Co., Ltd.; Supervisor of Yeong Chin Machinery Industries Co. Ltd.; Director of TONS Lightology Inc.; Independent Director, Audit Committee member, and Remuneration Committee member of Horizon Securities; Independent Director, Audit Committee member, and Remuneration Committee member of Yaoi I Fabric Co. Ltd., Supervisor of Ruo Pu Construction and Development Co. Ltd., Director of Plum-Monix Industry Co., Ltd., Supervisor of Dah Lih Puh Co., Ltd.	None	None	None	
Independent Director	R.O.C.	Zhu Xing-Hua (朱興華)	Male 61~70	2021.8.27	3 years	2021.8.27	0	0	0	0	0	0	0	0	General Manager of Corporate Synergy Development Center, Deputy Commissioner of Intellectual Property Office, M.O.E.A., Part-time Associate Professor of National Taiwan Ocean University, Managing Director of China Productivity Center, Managing Director of Precision Machinery Research & Development Center, Director of Taiwan Testing and Certification Center (ETC)	Independent Director, Audit Committee member of the Company, Director of Taiwan Textile Research Institute, Drafting Committee Member of National Standards in Textiles, Bureau of Standards, Metrology and Inspection, M.O.E.A., Review member of "One Town One Product" (OTOP) of Small and Medium Enterprise Administration, M.O.E.A., Associate Professor of Asia Eastern University of Science and Technology, Secretary General of Taiwan Plastics Industry Association, Independent Director, Audit Committee member and Remuneration Committee member of Tex-Ray Industrial Co., Ltd.	None	None	None	

Information of Directors (2)

1. Disclosure of directors' professional qualifications and information on independent directors' independence:

Name	Criteria	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of concurrent independent director positions in other public companies
Ye Ming-Zhou (葉明洲)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 		0
Chen Jin-Feng (陳金鳳)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries • Finance and accounting 		0
Guo Zheng-Pei (郭正沛)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 		1
Ye Jun-Lin (葉俊麟)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 		0
Lai Ming-Yi (賴明毅)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 		0
Tsai Chen-Hui (蔡振輝)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization 	Comply with the independency	0
Hsu Ren-Xing (許仁興)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 	Comply with the independency	0
Wang Mao-Lin (王茂林)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 		0
Lin Hong-Zhao (林宏昭)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization 	Comply with the independency	0
Hsiao Chen-Chi (蕭珍琪)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Finance and accounting 	Comply with the independency	3
Zhu Xing-Hua (朱興華)		<ul style="list-style-type: none"> • Operation decisions and strategic management, leader of the organization • Experience in textile-related industries 	Comply with the independency	1

Note: ① The professional qualifications, experiences and major education, and career history of directors (including independent directors) can be referred to the relevant information on pp. 8~9 of "Information of Directors (1)"

② All company directors (including independent directors) are under none of the circumstances listed in Article 30 of the Company Act.

2. The diversity and independence of the Board of Directors

(1) The diversity of the Board of Directors

The company has stipulated the "Procedures for Election of Directors", and the Board of Directors has passed the "Corporate Governance Best Practice Principles" on 12th November 2021. The composition of the Board of Directors should consider diversity and draft appropriate diversity policies based on its own operations, business models, and development needs.

Currently, the Board of Directors has only one female director, and in the future female director positions will be gradually increased following the principle of gender equality. The tenure of independent directors in the company is evenly distributed in terms of years of service. There is one director who has been serving for 9 years, another who has been serving for 6 years, and the other who has been serving for 3 years.

The Company also emphasizes on the professional knowledge and expertise of the Board of Directors' composition. Aside from the capabilities of operational judgment, management, and administration, the Company expects the percentage of Directors, who are specialized in the knowledge of the industry, to reach 60%. The percentage of the Company's 19th term of Board of Directors with the industry expertise is 72%

The implementation of diversity among members of the Board of Directors is as follows:

Diversified core Name of director	Basic composition								Industry experience and professional capabilities								
	Gender	Having an employee identity	Age				Length of service as an independent director			The capability of operations judgment	The capability of decision making	The capability of management and	The capability of emergency responses	Knowledge of the industry	Global market perspective	Leadership	Accounting and capability of financial
			40~50	51~60	61~70	71~80	1~3 years	3~6 years	6~9 years								
Ye Ming-Zhou (葉明洲)	M	✓				✓			✓	✓	✓	✓	✓	✓	✓		
Chen Jin-Feng (陳金鳳)	F	✓				✓			✓	✓	✓	✓	✓	✓	✓	✓	
Guo Zheng-Pei (郭正沛)	M	✓			✓				✓	✓	✓	✓	✓	✓	✓		
Ye Jun-Lin (葉俊麟)	M	✓	✓						✓	✓	✓	✓	✓	✓	✓		
Lai Ming-Yi (賴明毅)	M			✓					✓	✓	✓	✓	✓	✓	✓		
Tsai Chen-Hui (蔡振輝)	M				✓				✓	✓	✓	✓		✓	✓		
Hsu Ren-Xing (許仁興)	M					✓			✓	✓	✓	✓	✓	✓	✓		
Wang Mao-Lin (王茂林)	M				✓				✓	✓	✓	✓	✓	✓	✓		
Lin Hong-Zhao (林宏昭)	M				✓			✓	✓	✓	✓	✓		✓	✓		
Hsiao Chen-Chi (蕭珍琪)	M				✓			✓	✓	✓	✓	✓		✓	✓	✓	
Zhu Xing-Hua (朱興華)	M				✓		✓		✓	✓	✓	✓	✓	✓	✓		

(2) Status on the compliance of independency (Note2)

The directors and independent directors of the company, their spouses, and relatives within two degrees of kinship do not hold positions as directors, supervisors, or employees of the company or its affiliated enterprises; the directors and independent directors of the company, their spouses, and relatives within two degrees of kinship (or by nominee arrangement) also do not hold company's shares and positions as directors, supervisors, or employees of companies that have specific relationships to the company. In the recent two years, the directors and independent directors of the company, their spouses, and relatives within two degrees of kinship do not acquire remunerations by offering legal, financial, or accounting services to the company or its affiliated enterprises and businesses.

(2) Information on the General Manager, Deputy General Manager, and Head of Departments and Branches

28th April 2024

Title	Nationality	Name	Gender	Date effective	Current shareholding		Spouse's/minor's shareholding		Shareholding by nominee arrangement		Major experiences and education	Other positions in another company	Managerial officials who are spouses or within two degrees of kinship			Remark
					No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %			Title	Name	Relationship	
General Manager	R.O.C.	Guo Zheng-Pei (郭正沛)	M	2021.09.14	679,856	0.52	12,047	0.01	0	0	Department of Fiber and Composite Materials, Feng Chia University Plant manager of Formosa Chemicals and Fiber Corporation	Independent Director of Acelon Chemicals & Fiber Corporation	None	None	None	
Executive Deputy General Manager of the Business Department	R.O.C.	Hong Jin-Chang (洪錦昌)	M	2022.04.01	548,241	0.42	908	0	0	0	Department of Business Administration, National Taipei University of Business Director of Jia Lien Textile Co., Ltd.	Director of Honmyue Textile (Zhejiang) Co.,Ltd	None	None	None	
Deputy General Manager	R.O.C.	Ye Bo-Yu (葉博宇)	M	2023.02.02	5,754,132	4.43	1,798,507	1.38	0	0	Department of Electrical Engineering, University of Southern California Senior Engineer of Inventec Corporation, Project Manager of Hon Hai Technology Group, Supervisor of Ye Meng Industry Co., Ltd.	Chairman of Wen Fa Comprehensive Development Co., Ltd., Supervisor of Yu Yuang Textile Co., Ltd., Director of Po Yu Invest Co. Ltd.	None	None	None	
Department of Production Associate	R.O.C.	Cai You Dian (蔡佑典)	M	2022.01.01	147,000	0.11	0	0	0	0	Junior College in Chung Chou University of Science and Technology	Director of Juijiang DeYu Textile Technologies Co., Ltd.	None	None	None	
Business Department Associate	R.O.C.	Pan Cai-Juan (潘彩娟)	F	2022.01.01	73,000	0.06	0	0	0	0	Department of Business, National Fengshan Senior Commercial and Industrial Vocational School	None	None	None	None	
Manager of Management and Administration Center, General Manager's Office Head of Corporate Governance	R.O.C.	Zhuo Su-Qing (卓素卿)	F	2019.07.01	169,968	0.13	0	0	0	0	Executive Master of Business Administration, Department of Accounting, National Changhua University of Education	Supervisor of Juijiang DeYu Textile Technologies Co., Ltd., supervisor of Utex Innovation Co., Ltd.	None	None	None	
Manager of Information Management Center, General Manager's Office	R.O.C.	Chen Shao-Rui (陳紹睿)	M	2020.02.01	37,000	0.03	0	0	0	0	Master of Business Administration, National Chin-Yi University of Technology	None	None	None	None	
Manager of the Department of Finance Head of Accounting	R.O.C.	Pan Li-Zhe (潘立哲)	F	2022.01.01	153,036	0.12	94	0	0	0	Department of Accounting, Feng Chia University	None	None	None	None	
Business Department Manager	R.O.C.	Zhang Pei-Hong (張培宏)	M	2022.02.01	77,000	0.06	0	0	0	0	Industrial Engineering and Management, National Chin-Yi University of Technology	None	None	None	None	
Business Department Manager	R.O.C.	Hsu Wei-Fang (徐為芳)	M	2022.04.01	66,000	0.05	0	0	0	0	Master of Business Administration, Chung Yuan Christian University	None	None	None	None	
Manager of Department of Research and Technology	R.O.C.	Guo Yan-Hong (郭彥宏)	M	2022.09.01	73,000	0.06	8,000	0.01	0	0	Department of Textiles and Clothing, Fu Jen University	None	None	None	None	
Chief and supervisor of the Department of Finance	R.O.C.	Hsieh Hui-Na (謝惠娜)	F	2022.11.11	50,000	0.04	0	0	0	0	Department of Insurance and Finance, National Taichung University of Science and Technology	None	None	None	None	

3.3 Remunerations of Directors, General Manager, and Deputy General Manager in the most recent fiscal year

(1) Remuneration of general directors and independent directors

Unit: NTD Thousand

Title	Name	Director remuneration								Total remuneration (A+B+C+D) and its ratio to net profit after-tax		Relevant remuneration received by directors who are also employees								Total Remuneration (A+B+C+D+E+F+G) and its ratio to net profit after tax		businesses other than subsidiaries or		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C) (Note 2)		Fees for business operations (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F) (Note 1)		Employee Compensation (G) (Note 2)								
		The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	Cash	Stocks	Cash	Stocks		The company	All companies in the Financial Statement
Chairman	Ye Ming-Zhou (葉明洲)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	1,947	1,947	0	0	0	0	0	0	0	0	(4.76%)	(4.76%)	None
Deputy Chairman	Chen Jin-Feng (陳金鳳)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	1,148	1,148	63	63	0	0	0	0	0	0	(3.10%)	(3.10%)	None
Director	Guo Zheng-Pei (郭正沛)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	3,191	3,191	0	0	0	0	0	0	0	0	(7.56%)	(7.56%)	None
	Ye Jun-Lin (葉俊麟)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	571	571	0	0	0	0	0	0	0	0	(1.66%)	(1.66%)	None
	Lai Ming-Yi (賴明毅)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	0	0	0	0	0	0	0	0	0	0	(0.38%)	(0.38%)	None
	Tsai Chen-Hui (蔡振輝)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	0	0	0	0	0	0	0	0	0	0	(0.38%)	(0.38%)	None
	Hsu Ren-Xing (許仁興)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	0	0	0	0	0	0	0	0	0	0	(0.38%)	(0.38%)	None
	Wang Mao-Lin (王茂林)	0	0	0	0	0	0	168	168	(0.38%)	(0.38%)	0	0	0	0	0	0	0	0	0	0	(0.38%)	(0.38%)	None
Independent Director	Lin Hong-Zhao (林宏昭)	360	360	0	0	0	0	464	464	(1.85%)	(1.85%)	0	0	0	0	0	0	0	0	0	0	(1.85%)	(1.85%)	None
	Hsiao Chen-Chi (蕭珍琪)	360	360	0	0	0	0	464	464	(1.85%)	(1.85%)	0	0	0	0	0	0	0	0	0	0	(1.85%)	(1.85%)	None
	Zhu Xing-Hua (朱興華)	360	360	0	0	0	0	312	312	(1.51%)	(1.51%)	0	0	0	0	0	0	0	0	0	0	(1.51%)	(1.51%)	None

1. The payment policy, system, standard, and structure of remuneration for independent directors shall be explained, and according to the duty assumed, risks, time input, and other factors, their relationship to the amount of remuneration paid shall be explained:
A. According to the regulations of the Articles of Incorporation of the company, the remuneration of directors of the company is determined by the Board of Directors based on industry standards.
B. The payment of directors' remuneration is conducted in accordance with the "Procedures for the Payment of Director and Functional Committee Remuneration". Since independent directors also serve as members of the Audit Committee and Remuneration Committee and participate in the discussions and resolutions of relevant committee meetings, therefore they have higher remunerations than general directors.
2. Besides the disclosure from the table above, remuneration received by the directors of the company for providing services (such as serving as non-employee consultants in the parent company/ all companies in the Financial Statement/ invested businesses) in the most recent fiscal year: NONE

Note 1: The amounts listed are the pension contributed/paid under the New Labor Pension System.

Note 2: The Company did not make profits in the fiscal year of 2023; therefore, the Company did not provide remunerations to Directors and Employees in accordance with the Articles of Incorporation.

Table on Range of Remuneration

Range of Remuneration	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement

Less than NTD 1,000,000	Ye Ming-Zhou (葉明洲), Chen Jin-Feng (陳金鳳), Guo Zheng-Pei (郭正沛), Ye Jun-Lin (葉俊麟), Lai Ming-Yi (賴明毅), Tsai Chen-Hui (蔡振輝), Hsu Ren-Xing (許仁興), Wang Mao-Lin (王茂林), Lin Hong-Zhao (林宏昭), Hsiao Chen-Chi (蕭珍琪), Zhu Xong-Hua (朱興華)	Ye Ming-Zhou (葉明洲), Chen Jin-Feng (陳金鳳), Guo Zheng-Pei (郭正沛), Ye Jun-Lin (葉俊麟), Lai Ming-Yi (賴明毅), Tsai Chen-Hui (蔡振輝), Hsu Ren-Xing (許仁興), Wang Mao-Lin (王茂林), Lin Hong-Zhao (林宏昭), Hsiao Chen-Chi (蕭珍琪), Zhu Xong-Hua (朱興華)	Ye Jun-Lin (葉俊麟), Lai Ming-Yi (賴明毅), Tsai Chen-Hui (蔡振輝), Hsu Ren-Xing (許仁興), Wang Mao-Lin (王茂林), Lin Hong-Zhao (林宏昭), Hsiao Chen-Chi (蕭珍琪), Zhu Xong-Hua (朱興華)	Ye Jun-Lin (葉俊麟), Lai Ming-Yi (賴明毅), Tsai Chen-Hui (蔡振輝), Hsu Ren-Xing (許仁興), Wang Mao-Lin (王茂林), Lin Hong-Zhao (林宏昭), Hsiao Chen-Chi (蕭珍琪), Zhu Xong-Hua (朱興華)
NTD 1,000,000 (Inc.)~NTD 2,000,000 (Not inc.)	0	0	Chen Jin-Feng (陳金鳳)	Chen Jin-Feng (陳金鳳)
NTD 2,000,000 (Inc.)~NTD 3,500,000 (Not inc.)	0	0	Ye Ming-Zhou (葉明洲), Guo Zheng-Pei (郭正沛)	Ye Ming-Zhou (葉明洲), Guo Zheng-Pei (郭正沛)
NTD 3,500,000 (Inc.)~NTD 5,000,000 (Not inc.)	0	0	0	0
NTD 5,000,000 (Inc.)~NTD 10,000,000 (Not inc.)	0	0	0	0
NTD 10,000,000 (Inc.)~NTD 100,000,000 or above	0	0	0	0
Total	11 people	11 people	11 people	11 people

(2) Remuneration of the General Manager and the Deputy General Manager

Unit: NTD Thousand

Title	Name	Base Compensation (A)		Severance Pay (B) (Note 1)		Salary, Bonuses, and Allowances (C)		Employee Compensation (D) (Note 3)				Total remuneration (A+B+C+D) and its ratio to net profit after-tax		Remuneration from investment businesses other than subsidiaries or from the parent company
		The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company	All companies in the Financial Statement	The company		All companies in the Financial Statement		The company	All companies in the Financial Statement	
								Cash	Stocks	Cash	Stocks			
General Manager	Guo Zheng-Pei (郭正沛)	2,196	2,196	0	0	995	995	0	0	0	0	(7.18%)	(7.18%)	None
Business Department Executive Deputy General Manager	Hong Jin-Chang (洪錦昌)	1,591	1,591	90	90	937	937	0	0	0	0	(5.89%)	(5.89%)	None
Deputy General Manager	Ye Bo-Yu (葉博宇)	1,224	1,224	76	76	636	636	0	0	0	0	(4.36%)	(4.36%)	None

Note 1: The amounts listed are the pension contributed/paid under the New Labor Pension System.

Note 2: The Company did not make profits in the fiscal year of 2023; therefore, the Company did not provide remunerations to Directors and Employees in accordance with the Articles of Incorporation.

Table on Range of Remuneration

Range of remuneration	Name of General Manager and Deputy General Manager	
	The company	All companies in the Financial Statement
Less than NTD 1,000,000	0	0
NTD 1,000,000 (Included)~NTD 2,000,000 (Not included)	Ye Bo-Yu (葉博宇)	Ye Bo-Yu (葉博宇)
NTD 2,000,000 (Included)~NTD 3,500,000 (Not included)	Guo Zheng-Pei (郭正沛), Hong Jin-Chang (洪錦昌)	Guo Zheng-Pei (郭正沛), Hong Jin-Chang (洪錦昌)
NTD 3,500,000 (Included)~NTD 5,000,000 (Not included)	0	0
NTD 5,000,000 (Included)~NTD 10,000,000 (Not included)	0	0
NTD 10,000,000 or above	0	0
Total	3 people	3 people

(4) Name of managerial officials who distribute employee remuneration and the status of distribution

Unit: NTD Thousand

Managerial officials	Title	Name	Stocks	Cash (Note)	Total	Ratio of total remuneration to net profit after-tax
	General Manager	Guo Zheng-Pei (郭正沛)				
	Executive Deputy General Manager of the Business Department	Hong Jin-Chang (洪錦昌)				
	Associate of the Business Department	Ye Bo-Yu (葉博宇)				
	Associate of the Department of Production	Cai You-Dian (蔡佑典)				
	Associate of the Business Department	Pan Cai-Juan (潘彩娟)				
	Manager of Management and Administration Center, General Manager's Office Head of Corporate Governance	Zhuo Su-Qing (卓素卿)				
	Manager of Information Management Center, General Manager's Office	Chen Shao-Rui (陳紹睿)	0	0	0	0%
	Manager of the Department of Finance Head of Accounting	Pan Li-Zhe (潘立哲)				
	Manager of the Business Department	Zhang Pei-Hong (張培宏)				
	Manager of the Business Department	Hsu Wei-Fang (徐為芳)				
	Manager of the Department of Research and Technology	Guo Yan-Hong (郭彥宏)				
	Head of Finance	Hsieh Hui-Na (謝惠娜)				

Note: The Company did not make profits in the fiscal year of 2023; therefore, the Company did not provide remunerations to Directors and Employees in accordance with the Articles of Incorporation.

(5) For remunerations paid to directors, supervisors, General Manager, and Deputy General Manager by the company and all companies in the Consolidated Financial Statements in the past two fiscal years, an analysis of the ratio of the total amount of remunerations to net profit after tax of the Individual Financial Statement shall be provided. The analysis shall also explain the policies, standards, and composition on the payment of remunerations, procedures for the setting of the remuneration, and the correlation with business performance and future risks.

1. The analysis of the ratio of total remunerations paid to directors, supervisors, General Manager, and Deputy General Manager by the company and all companies in the Consolidated Financial Statements in the past two fiscal years to net profit after tax:

Unit: NTD Thousand

Title	2023 Total remuneration ratio to net profit after tax		2022 Total remuneration ratio to net profit after tax	
	The company	All companies in the Consolidated Financial Statement	The company	All companies in the Consolidated Financial Statement
Director	(23.81%)	(23.81%)	18.90%	18.90%
General Manager and Deputy General Manager	(17.43%)	(17.43%)	11.53%	11.53%

2. The policy, standards, and combinations on the payment of remunerations, the program for determining the remuneration, and the relationship between the remuneration and the company's operational performance:

- (1). For the paid remuneration to directors by the company, the director compensation and traveling allowances for participating in operation businesses of the company and attending Board of Directors Meetings are included. According to the Articles of Corporation of the company, if there are profits in this fiscal year, a ratio of not less than 2% of the profits shall be appropriated as employee remuneration, and they will be distributed in stocks or cash by the resolution of the Board of Directors, and the recipients include employees from subsidiaries who fulfill certain criteria. And for the aforementioned profits of the company, a ratio of not more than 5% shall be appropriated as director remuneration by the resolution of the Board of Directors. Distribution of employee and director remunerations shall be submitted for report at the Shareholders' Meeting. However, if the company has accumulated losses, the profits shall be retained to make up for the losses first, and the remainder allocated as employee and director remunerations afterward according to the ratio of the preceding paragraph.
- (2). The remuneration provided to managerial officials is allocated in accordance with the various salary and bonus systems of the company. The distribution is based on factors such as the scope of responsibilities associated with the position, the achievement rate of the overall operational goals of the company, individual performance, and his/her educational background and experiences. The remuneration level is also determined by considering the salary benchmarks of positions of similar nature in the industry market. The proposed remuneration is subject to review by the Remuneration Committee and then submitted to the Board of Directors for resolution.

3.4 Implementation of Corporate Governance

(1) Information regarding the operating status of the Board of Directors

6 Board of Directors meetings were commenced in the recent fiscal year and the presence and attendance of directors and independent directors are as follows:

Title	Name	Presence (Attendance) in person (B)	Attendance on proxy	Actual attendance rate (%)	Remark
Chairman	Ye Ming-Zhou (葉明洲)	6	0	100%	
Deputy Chairman	Chen Jin-Feng (陳金鳳)	6	0	100%	
Director	Guo Zheng-Pei (郭正沛)	6	0	100%	
	Lai Ming-Yi (賴明毅)	6	0	100%	
	Ye Jun-Lin (葉俊麟)	6	0	100%	
	Tsai Chen-Hui (蔡振輝)	6	0	100%	
	Hsu Ren-Xing (許仁興)	6	0	100%	
	Wang Mao-Lin (王茂林)	6	0	100%	
Independent director	Zhu Xing-Hua (朱興華)	6	0	100%	
	Lin Hong-Zhao (林宏昭)	6	0	100%	
	Hsiao Chen-Chi (蕭珍琪)	6	0	100%	

Other mentionable items:

1. If any of the following circumstances occur in the operation of the Board of Directors, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Date of meeting Session	Content of motion	Opinions of all independent directors	The company's treatment of the opinions of the independent directors
2023/1/10 (The 10 th meeting of the 19 th term)	Proposal on the distribution of year-end bonuses and operation performance bonuses for managerial officials for the year 2022.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal on the appropriation ratio of director and employee remunerations for the year 2023. (Director remuneration 3%, Employee remuneration 3%)	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
2023/3/28 (The 11 th meeting of the 19 th term)	The 2022 Individual and Consolidated Financial Statements of the company.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of amendments to the "Articles of Incorporation."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of remuneration distribution for directors and employees for the year 2022.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of the Company's loaning of funds to the its subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of the issuance of 2022 Statement on the Internal Control System" by the company.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	2023 Evaluation of the independence and suitability of the CPA of the Company.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
2023/5/12 (The 12 th meeting of the 19 th term)	Proposal of pre-approval of non-assurance services provided by the CPA, its firms, and associate firms to the Company and subsidiaries.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	The Q1 Consolidated Financial Statement of 2023.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of overdue accounts receivable to be transferred to other accounts receivable of the Company.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of the Company's making of endorsement and guarantee for its subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of the Company's participation in the cash capital increase of "Utex Innovation Co., Ltd."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of fundraising to the Company by "Jiujiang Deyang Textile Industry Co., Ltd."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
2023/8/11 (The 14 th meeting of the 19 th term)	Proposal on the distribution of the 2023 Dragon Boat Festival (Mid-year) performance bonus to managerial officials.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	The Q2 Consolidated Financial Statement of 2023.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	The Company's overdue accounts receivables as of June 30, 2023 are not recognized under Nature of Loaning of Funds.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of 2023 remuneration of CPA appointment of the Company.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of 2022 remuneration distribution to directors.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal on the distribution of "Employee Remuneration for the year 2022" to managerial officials.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors

Date of meeting Session	Content of motion	Opinions of all independent directors	The company's treatment of the opinions of the independent directors
2023/11/8 (The 15 th meeting of the 19 th term)	The Q3 Consolidated Financial Statement of 2023.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	The Company's overdue accounts receivables as of September 30, 2023 are not recognized under Nature of Loaning of Funds.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal of the Company's direct investment increase to the subsidiary in China, "Jiujiang Deyu Textile Technologies Co., Ltd."	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors
	Proposal for the 2024 internal audit plan.	Approved unanimously by all attending independent directors	Approved unanimously by all attending directors

(2) Except for the aforementioned matters, other matters which have been resolved by the Board of Directors Meetings but are objected to by independent directors or having reserved opinions with records or a written statement: None

2. For the status of implementation of directors' recusal to proposals with conflicts of interests, the name of the director, the content of the motion, reasons for recusal, and status of voting participation shall be disclosed:

Date of meeting	Name of director	Content of motion	Reasons for recusal	Status of voting participation
2023/1/10	Guo Zheng-Pei (郭正沛)	Proposal on the distribution of year-end bonuses and operation performance bonuses for managerial officials for the year 2022.	Interested party of this proposal	Approved unanimously by all remaining attending directors
2023/8/11	Guo Zheng-Pei (郭正沛)	Proposal on the distribution of "Employee Remuneration for the year 2022" to managerial officials.	Interested party of this proposal	Approved unanimously by all remaining attending directors

3. TWSE/GTSM listed companies shall disclose the evaluation cycle and period, scope and method of evaluation, and content of evaluation of self (or peer) evaluations. The status of the implementation of the evaluation by the Board of Directors shall be filled out:

Evaluation cycle	Once annually
Evaluation period	Evaluation of the performance of the Board of Directors from 1st January 2023 to 31st December 2023
Evaluation scope	Evaluation of the performance of the Board of Directors, individual Board members, and functional committees
Method of evaluation	Including self-evaluation of the Board of Directors, the Board members, the Audit Committee, and the Remuneration Committee members.
Content of evaluation	<ol style="list-style-type: none"> 1. The performance evaluation of the Board of Directors: at least include the level of involvement in company operations, quality of decision-making by the Board, the composition and structure of the Board, the election and continuing education of directors, and internal control. 2. The performance evaluation of individual Board members: At least including the understanding of company goals and missions, awareness of director duties, participation in company operations, internal relationship management and communication, director's expertise and continuous education, and internal controls. 3. The performance evaluation of the Audit Committee: Participation in company operations, awareness of member duties of the Audit Committee, quality of decision-making by the Audit Committee, composition and election of members of the Audit Committee, and internal control. 4. The performance evaluation of the Remuneration Committee: Participation in company operations, awareness of member duties of the Remuneration Committee, quality of decision-making by the Remuneration Committee, and composition and election of members of the Remuneration Committee.

Status of implementation:

The self-evaluation is conducted in the form of a survey, and the contents are presented in 5 levels (No.1: Very bad (Strongly disagree); No.2: Bad (Disagree); No. 3: Neutral (Average); No.4: Good (Agree); No.5: Very good (Strongly agree)).

The overall evaluation result was between 5 (Very good (Strongly agree)) to 4 (Good (Agree)). The evaluation items of "the level of involvement in company operations, the continuous training of directors, the internal control, the awareness of member duties of the Audit Committee, the awareness of member duties of the Remuneration Committee" are all

slightly lower than the average value of the individual categories. But overall the Board of Directors and the individual functional committees are working well, and will continuously improve according to this evaluation result, and lead to the enhancement of corporate governance effectiveness.

4. In the current and most recent fiscal year, the goal of strengthening the competency of the Board of Directors (eg. establishing the Audit Committee and increasing information transparency) and the evaluation of the status of implementation:
 1. The company has stipulated the "Rules of Procedures for the Board of Directors" to strengthen the operation of the Board.
 2. Increasing the transparency of information: Crucial resolutions of the Board of Directors will be announced promptly on the Market Observation Post System (MOPS).

(2) Information on the operation of the Audit Committee:

The Audit Committee of the company is composed of all independent directors, and four meetings were commenced in the most recent fiscal year (A), and the presence and attendance of independent directors are as follows:

Title	Name	Attendance in person (B)	Attendance on proxy	Attendance Rate (%) (B/A)	Remark
Independent director (Convenor)	Hsiao Chen-Chi (蕭珍琪)	4	0	100%	
Independent Director	Lin Hong-Zhao (林宏昭)	4	0	100%	
Independent Director	Zhu Xing-Hua (朱興華)	4	0	100%	

Other mentionable items:

1. If any of the following circumstances occur in the operation of the Audit Committee, the dates of the meetings, sessions, contents of motion, all independent directors' objections, reserved opinions, and significant recommendations, as well as the resolution of the Audit Committee and the company's response to it should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date of meeting Session	Content of motion	Independent directors' objections, reserved opinions, or significant recommendations	Audit Committee Resolution results	The company's response to the opinion of the Audit Committee
2023/3/28 (The 6 th meeting of the 1 st term)	1. The 2022 Individual and Consolidated Financial Statements of the company.	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members	Approved unanimously by all attending directors
	2. Proposal of the issuance of 2022 Internal Control System Statement.	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members	Approved unanimously by all attending directors
	3. Proposal of the Company's loaning of funds to its subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	None	Jiujiang Deyu Textile Technologies Co., Ltd. is to obtain a Premises Permit at its soonest and to prioritize obtaining loans from local financial institutions. In the event that the borrowing is unavailable or the interest rate is too high, only then the Company may make loaning of funds to the said company.	Approved unanimously by all attending directors
	4. Evaluation of the independence and suitability of the CPA of the Company for the year 2023.	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members	Approved unanimously by all attending directors
	5. Proposal of pre-approval of non-assurance services provided by the CPA, its firms, associate firms to the Company and the subsidiaries.	None	Approved unanimously by all attending members after the CPA's explanation of current non-assurance services and future possible non-assurance services,	Approved unanimously by all attending directors

2023/5/12 (The 7 th meeting of the 1 st term)	1. The Q1 Consolidated Financial Statement of 2023.	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members	Approved unanimously by all attending directors
	2. Proposal of the Company's overdue accounts receivable to be transferred to other accounts receivable	None	1. The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members. 2. The relevant responsible units to actively make collections.	Approved unanimously by all attending members.
	3. Proposal of the Company's making of endorsement and guarantee for the subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members.	Approved unanimously by all attending members.
	4. Proposal of the Company's participation in the cash capital increase of "Utex Innovation Co., Ltd."	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members.	Approved unanimously by all attending members.
	5. Proposal of fundraising to the Company by "Jiujiang Deyu Textile Technologies Co., Ltd."	None	The chair put the matter before all members present at the meeting and none voiced an objection. Approved unanimously by all attending members.	Approved unanimously by all attending members.
2023/8/11 (The 8 th meeting of the 1 st term)	1. The Q2 Consolidated Financial Statement of 2023.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
	2. The Company's overdue accounts receivables as of June 30, 2023 are not recognized under Nature of Loaning of Funds.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
	3. Proposal on the appointment remuneration of CPA for the year 2023.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
2023/11/8 (The 9 th meeting of the 1 st term)	1. The Q3 Consolidated Financial Statement of 2023.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
	2. The Company's overdue accounts receivables as of September 30, 2023 are not recognized under Nature of Loaning of Funds.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
	3. Proposal of the Company's direct investment increase to the subsidiary in China, "Jiujiang Deyu Textile Technologies Co., Ltd."	None	Approved unanimously by all attending members	Approved unanimously by all attending directors
	4. Proposal for the 2024 internal audit plan.	None	Approved unanimously by all attending members	Approved unanimously by all attending directors

(2) Except for the aforementioned matters, other matters which have not been passed by the Audit Committee, but have been approved by over two-thirds of all directors: None

- For the status of implementation of independent directors' recusal to proposals with conflicts of interests, the name of the independent director, the content of the motion, reasons for recusal, and status of voting participation shall be disclosed: In 2023, the Audit Committee did not have proposals with conflicts of interests that needed the recusal of independent directors.
- Communication status of independent directors and the internal auditor and accountants (Should include material matters that involve the communication on the financial and

business conditions of the company, its methods, and results)

Date	Method of communication	Matter of communication	Personnel present	Recommendations by the independent directors
2023/11/8	Meeting	<ul style="list-style-type: none"> · Communication plans between accountants and the corporate governance units · The Q3 Consolidated Financial Statement of 2023 · International Financial Reporting Standards No. 20 - Accounting for Government Grants and Disclosure of Government Assistance 	<ul style="list-style-type: none"> · Independent director: Hsiao Chen-Chi (蕭珍琪), Lin Hong-Zhao (林宏昭), and Zhu Xing-Hua (朱興華) · CPA Hung, Shu-Hua (洪淑華) 	Unqualified opinion
		<ul style="list-style-type: none"> · 2024 Audit Plan · Implementation of the 2023 Audit Plan · The way of presentation of the Audit Report and discussions on the method of communication. 	<ul style="list-style-type: none"> · Independent director: Hsiao Chen-Chi (蕭珍琪), Lin Hong-Zhao (林宏昭), and Zhu Xing-Hua (朱興華) · Audit Supervisor: Chen, Yu (陳昱) 	Unqualified opinion

(1) The internal audit unit submits audit reports and follow-up reports on the improvement of audit deficiencies to the independent directors on a monthly basis. Additionally, the internal audit supervisor regularly presents the audit activities, audit results, and progress of follow-ups to the independent directors at least once per quarter during the Audit Committee meetings and holds individual meetings with the independent directors at least once per year.

(2) Our company's external auditors hold meetings with the Audit Committee and have separate meetings with the independent directors at least once a year. During these meetings, they report on the review or audit results of the financial statements of our company and its subsidiaries, internal control audits, the impact of revisions and publications of IFRS standards on the company, and other relevant regulatory requirements. They also communicate regarding any financial reporting adjustments or changes in accounting practices due to regulatory amendments.

(3) The head of the internal audit and the accountants, as well as the independent directors, can directly contact each other at any time as needed, ensuring the communication channels are smooth.

(3) Status of the implementation of corporate governance and its discrepancy from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" , and the reasons accounted for the discrepancy:

Item of Evaluation	Status of Operation			Discrepancy from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and reasons
	Yes	No	Abstract Illustration	
1. Has the company established and disclosed the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company established the "Corporate Governance Best-Practice Principles" on 12th November 2021, and disclosed it on the company website and Market Observation Post System (MOPS).	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
2. Shareholding structure & shareholders' rights (1) Has the Company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes, and litigations, and implemented based on the procedure? (2) Does the company possess the list of its major shareholders who actually control the company as well as the ultimate owners of those shareholders? (3) Does the company establish and implement risk management and control measures between affiliated enterprises and set up a firewall mechanism? (4) Does the company establish internal rules to prohibit insiders from using undisclosed information in the market in securities transactions?	✓ ✓ ✓ ✓		(1) Besides the appointment of a professional stock agent to handle stock affairs, the company has established a spokesperson system and set up a channel of "Stakeholder contacts" on the company website to properly collect shareholders' recommendations, doubts, disputes, and litigations. (2) The company has assigned specific personnel in charge responsible for stock affairs and has entrusted a professional stock affairs agency to assist with the process. This allows the company to have real-time access to the shareholding status of major shareholders. Moreover, the company regularly discloses information regarding major shareholders in every quarterly financial statement. (3) The company manages the transactions with affiliated enterprises in accordance with its internal control system. The company stipulated regulations such as the "Supervision and Management of Subsidiaries", "Operation Procedures for Acquisition and Disposal of Assets", "Operation Procedures for Loaning Funds to Others", "Operation Procedures for Endorsements and Guarantees," and "Rules Governing Financial and Business Matters Between Related Parties." The risk management and the firewall mechanism between each other are well implemented. (4) The company has established the "Operating procedures for handling material inside information and prevention of insider trading" to regulate all employees of the company, managerial officials, and directors, as well as anybody who acquires information about the company from his/her occupation or controlling relationships. All possible acts that involve insider trading are prohibited to protect investors and maintain the benefits of the company. The company organized 2 sessions of relevant educational training on the prevention of insider trading and ethical managements in 2023, with a total of 131 participants attending the sessions.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop a diversified policy with substantial management goals and put it into implementation?	✓		(1) The company stipulated the "Policies on the diversification of members of the Board of Directors" and "Corporate governance best practice principles". The consideration of composition of the Board is diversified, and a suitable and diversified approach is designated according to its own operations, operating model, and development requirements. Article 23 of the regulation stated that the Board of Directors should possess the following capabilities: 1. Capability of operations judgment; 2. Accounting and capability of finances; 3. Capability of management and administration analysis; 4. Capability of emergency responses; 5. Knowledge of the industry; 6. Global market perspective; 7. Leadership; 8. Capability of decision-making. Currently, the Board of Directors has only one female director, in the future female director positions will be gradually increased following the principle of gender equality. For the implementation status of diversification in gender and age of the 19th Board of Directors members, please refer to pp.11 of this Annual Report.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Item of Evaluation	Status of Operation			Discrepancy from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and reasons
	Yes	No	Abstract Illustration	
<p>(2) Besides the establishment of the Remuneration Committee and the Audit Committee in accordance with the law, does the company voluntarily establish other functional committees?</p> <p>(3) Does the company stipulate procedures for evaluating the performance of the Board of Directors and the evaluation methods, conducting regular performance evaluations every year, and reporting the results to the Board of Directors, which will be used as a reference for individual director's remuneration and nomination for reappointment?</p> <p>(4) Does the Company regularly evaluate the independence of CPA?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>(2) The company has established the "Remunerations Committee" and the "Audit Committee" according to the law. In the future, other functional committees may be established depending on evaluations of the requirement of the business environment and provisions of laws and regulations.</p> <p>(3) The company passed the "Procedures for evaluating the performance of the Board of Directors" on 10th August 2020 and implemented it accordingly. The company has completed the performance evaluation of the 2023 Board of Directors, its director members, and functional committees. The evaluation results and directions for sustainable enhancement have been submitted to the Board of Directors on 2nd February 2024. The results of the Board of Directors' performance evaluation serve as a reference for the selection or nomination of directors; The performance evaluation result of every individual director is also taken as a reference when determining their respective remuneration. For the evaluation results of 2023, please refer to pp.18 of this Annual Report.</p> <p>(4) The company's Accounting Department submits the "Review and Assessment Form for CPAs" annually and regularly to assess the independence and suitability of CPAs. The CPAs are also required to provide a "Statement of complete independence" and "Audit Quality Indicators (AQIs)." The AQI indicators include professionalism, independence, quality control, supervision, and innovation capacity, which are assessed based on these five dimensions and thirteen indicators. The evaluation results were discussed and approved by the Audit Committee on 28th March 2023, and subsequently submitted for discussion at the Board of Directors meeting. The results of 2023 on the independency and suitability of CPA were approved by the Board of Directors on 28th March 2023.</p>	
<p>4. Does the company appoint a suitable number of competent personnel as corporate governance officers, and assign a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform business operations, assisting directors and supervisors to comply with regulations, handling work related to meetings of the Board of Directors and the Shareholders' Meeting in accordance with the law, and taking minutes of Board of Directors meetings and shareholders' meetings)?</p>	<p>✓</p>		<p>The company has appointed Zhuo Su-Qing (卓素卿), the Manager of the Management Center of the General Manager's Office to serve as the Head of Corporate Governance, and this decision was passed by the Board of Directors on 10th August 2020. Manager Zhuo Su-Qing (卓素卿) has participated in internal audit businesses and law compliance businesses and serves in a supervisory position for over 3 years, thus meeting the qualification of being the Head of Corporate Governance of the company. The Head of Corporate Governance is primarily responsible for corporate governance-related matters. This includes handling affairs related to the Board of Directors and Shareholders' Meetings in accordance with the law, assisting in the appointment and continuous education of directors, providing the information required for directors to carry out their duties, and assisting directors in complying with the laws and regulations. For the status of implementation and continuing education of the Head of Corporate Governance in 2023, please refer to Note 2.</p>	<p>Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"</p>
<p>5. Does the Company establish a communication channel and build a designated zone on its website for interested parties (including but not limited to shareholders, employees, customers, and suppliers), as well as responding appropriately on important corporate social responsibilities issues that they care most about?</p>	<p>✓</p>		<p>In order to properly respond to the interested parties, the company has set up communication channels and provides contact information such as corresponding telephone numbers and specialized email addresses on the company website. The company discloses on its website the concerning issues raised by its employees, customers, shareholders, suppliers, local residents, and government agencies, as well as the response methods and communication records/frequency. The status of engagement of interested parties is also disclosed on the company website. The status of engagement of interested parties in 2023 can be referred to the company website. (https://www.textile-hy.com.tw/企業社會責任/利害關係人關切議題.html)</p>	<p>Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"</p>

Item of Evaluation	Status of Operation			Discrepancy from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and reasons
	Yes	No	Abstract Illustration	
6. Does the Company appoint a professional stock service agency to deal with shareholders' meeting affairs?	✓		The company has appointed professional services from the "Stock Agent Department of Fubon Securities Co. Ltd." to handle shareholders' meetings and different stock affairs.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
7. Information Disclosure (1) Does the Company have a website to disclose both financial standings and the status of corporate governance? (2) Has the Company adopted other ways of information disclosure? (eg. set up an English website, designate a specialist to be responsible for the collection and disclosure of information about the Company, implement a spokesperson system, and put the transcript of the Earnings Call on the website) (3) Does the company publicize and file the annual financial statements within two months after the end of each fiscal year, and publicize and file Q1, Q2, and Q3 financial statements and monthly operation results before the specified deadline?	✓ ✓		(1) Through the "Investors' Zone" on the company website, finance information, business operations, corporate governance, and other material information are disclosed whenever needed. The website address of the company is: https://www.textile-hy.com.tw (2) The company has set up a spokesperson system that the Spokesperson and Deputy Spokesperson publicly release financial and business information about the company, conduct regular earnings calls, and disclose relevant information on the company's website. (3) The company publicizes and files the Annual Financial Statement before the filing deadline in accordance with the relevant laws and regulations. It also publicizes and files Q1, Q2, and Q3 financial statements and monthly operation results before the specified deadline. The aforementioned information is all disclosed on the Market Observation Post System (MOPS). https://mops.twse.com.tw/mops/web/index	The exception is that the Financial Statement had not been publicized in advance

Item of Evaluation	Status of Operation			Discrepancy from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and reasons
	Yes	No	Abstract Illustration	
8. Does the company has any other important information to facilitate a better understanding of its corporate governance operations (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of interested parties, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation measures, the implementation of customer policies, and the purchase of liability insurance for directors and supervisors)?	✓		<p>The company has set up a "Corporate Governance Zone" on the company website to help interested parties understand various internal control systems and management regulations of the company. They can also get a gist of the status of the implementation of corporate governance through the corporate governance column of the Market Observation Post System (MOPS) (Stock code: 1474) Website: http://mops.twse.com.tw/mops/web/t100sb07</p> <p>(1) Implementation of employee benefits, employee care, and the retirement System: The company allocates a budget annually to take care of employees' physical and mental well-being, welfare measures, organizing work-life balance activities and seminars, and the appropriation and payment of retirement pensions. Please refer to "5.5 Labor Relations" of this Annual Report. (pp.71)</p> <p>(2) Investor relations: The company has established a spokesperson system and set up an "Investors Zone" on the company website, promptly disclosing information about the company. This acts as a connecting window between shareholders and juridical person investment institutions.</p> <p>(3) Supplier relations: The company values highly the suppliers' requirement for sustainability, and especially focuses on the requirements from the environmental perspective, social perspective, and corporate governance perspective. "Procedures for suppliers management" is stipulated. All suppliers must pass the suppliers' evaluation and regular performance reviews, as well as receive guidance and track the improvement status of suppliers.</p> <p>(4) Rights of interested parties: The company has set up an "Interested Party Zone" on the company website. The website also provides the contact information of the spokesperson and every business window that act as a communication channel for interested parties. They are handled by specialists, and the related concerning issues of interested parties are properly responded to.</p> <p>(5) Status of continuing education of directors: Please refer to "Status of continuing education of directors" in this Annual Report. (Note 1)</p> <p>(6) Implementation of risk management policy and risk measurement standards: The company commits from top to bottom to continuously deepen risk awareness among the management level and employees. It ensures that risk considerations are incorporated into decision-making processes and fosters employees' risk management capabilities. The implementation of risk management in operational processes is confirmed.</p> <p>(7) The purchase of directors' liability insurance by the company: The company has purchased liability insurance for directors (including independent directors).</p>	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<p>9. Please explain the status of improvements and the prioritized improvement items and measures on areas that have not yet been addressed, regarding the most recent corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. The results of the 10th Corporate Governance Evaluation for the company in 2023 ranked within the 51-65% range among listed companies. For the measures that have been improved and the prioritized improvement areas for the future, please refer to Note 3.</p>				

Note 1: Status of continuing education of directors in 2023:

Title	Name	Date of Study	Organizer	Name of course	Hours of study
Chairman	Ye Ming-Zhou (葉明洲)	2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
Deputy Chairman	Chen Jin-Feng (陳金鳳)	2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
		2023/11/18	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
Director	Guo Zheng-Pei (郭正沛)	2023/06/16	Taiwan Corporate Governance Association	How Does a Board of Directors Supervise ESG Risks and Build Corporate Sustainable Competitiveness	3
		2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
		2023/11/18	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
Director	Lai Ming-Yi (賴明毅)	2023/04/19	Taiwan Corporate Governance Association	Practice on Corporate Performance Management and Bonus System Operations	3
		2023/06/16	Taiwan Corporate Governance Association	How Does a Board of Directors Supervise ESG Risks and Build Corporate Sustainable Competitiveness	3
Independent director	Lin Hong-Zhao (林宏昭)	2023/05/23	Taiwan Stock Exchange	Sustainable Development Action Plans for TWSE and TPEX Listed Companies Seminar	3
		2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
		2023/09/23	Securities and Futures Institute	Sustainable Development Practice Seminar	3
Independent director	Hsiao Chen-Chi (蕭珍琪)	2023/03/16	CPA Associations R.O.C.(Taiwan)	(Taichung) A director's fiduciary duty and liability of financial statement fraud	3
		2023/03/23	CPA Associations R.O.C.(Taiwan)	Anti-money laundering supervision and their practices for CPAs in Taiwan	3
		2023/04/14	Taiwan Academy of Banking and Finance	Corporate governance courses	3
		2023/05/23	Taipei Exchange	Sustainable Development Action Plans for TWSE and TPEX Listed Companies Seminar	3
		2023/06/30	Taiwan Securities Association	【Corporate Governance】 Case analysis on suspicious types and risk trends of money laundering and terrorism financing.	3
		2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
		2023/08/08	Taiwan Corporate Governance Association	Practices of trade secrets protection and fraud examination	3
		2023/09/07	CPA Associations R.O.C.(Taiwan)	Separating the use of Auditing Standards, Summary of ISA for LCE, and Taiwan's challenges	3

Title	Name	Date of Study	Organizer	Name of course	Hours of study
		2023/11/18	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
Independent director	Zhu Xing-Hua (朱興華)	2023/04/27	Taiwan Stock Exchange	Sustainable Development Action Plans for TWSE and TPEX Listed Companies Seminar	3
		2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3
		2023/11/18	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3

Note 2: Implementation status of corporate governance in 2023:

1. Handle the related affairs of meetings of the Board of Directors and Shareholders' Meetings according to the law.

A. The Board of Directors Meeting agenda is drafted, and all directors are notified at least 7 days in advance with information for the meeting. If a motion involves conflicts of interest, directors shall be notified in advance, and minutes of the meeting shall be distributed to all directors within 20 days after the meeting.

B. The date of the shareholders' meeting is registered in advance in accordance with the law. The meeting notice, handbook, minutes, and announcements for processes are prepared within the statutory period. Changes in company registration can also be handled during the amendment of the Articles of Incorporation.

2. Providing relevant laws and regulations regarding corporate governance to members of the Board, with regular updates.

3. Arranging Board members to enroll in training courses

4. Providing directors with the information needed for business operations.

5. Assist directors to comply with the laws and regulations.

Based on the evaluation indicators of the "Corporate Governance Evaluation" by the Taiwan Stock Exchange, we collaborate with each unit to review and discuss the proposed plans to enhance corporate governance, and also track the implementation and results of the responsible authority units.

7. Evaluation on the purchase of liability insurance for directors of the group.

8. Arranging communication meetings between independent directors and CPAs or internal audit supervisors

The status of continuing education of the Head of Corporate Governance in 2023:

Period of Study		Organizer	Name of Course	Hours of study	Total study hours of the year
Start	End				
2023/07/15	2023/07/15	Commerce Development Research Institute	Training course on corporate governance and sustainable operations of enterprises	3	15
2023/12/25	2023/12/25	The Institute of Internal Auditors	Practices of Business Contract Management and Audit.	6	
2023/12/27	2023/12/27	Accounting Research and Development Foundation	"Sustainable Development Action Plans" and Practice analysis of the impact by net-zero emissions on financial statements.	6	

Note 3: Regarding the evaluation results on corporate governance, areas in which improvement has been made and other unaddressed areas and measures that need to be improved on the highest priority are explained as follows:

1. Maintaining shareholders' equities and treating shareholders fairly
 - A. The English version of the Meeting Notice, the Meeting Handbook, and the Supplementary Information for the Meeting has been uploaded simultaneously 30 days prior to the date of the Annual Shareholders' Meeting.
 - B. The English version of the Annual Financial Report has been uploaded 16 days prior to the date of the Annual Shareholders' Meeting.
 - C. The Annual Report has disclosed the link between the performance evaluation of directors and managerial officials and their remunerations.
 - D. The full audio and video recording of the meeting has been uploaded after the Shareholders' Meeting.
 - E. The English version of the Annual Report is planned to be uploaded 18 days prior to the date of the Annual Shareholders' Meeting.
 - F. The critical contents of Shareholders' inquiries and the responses by the Company thereof are planned to be recorded in the Minutes of the Annual Shareholders' Meeting.
 - G. The individual remunerations to directors, general managers, and deputy general managers are planned to be disclosed in the Annual Report and at the Annual Shareholders' Meeting.
2. Strengthening the structure and operation of the Board of Directors
 - A. The Board of Directors regularly references the AQIs to evaluate the independence and suitability of CPAs.
 - B. The company has formulated an intellectual property management plan aligning with the operational goals, which has been reported to the Board of Directors.
 - C. A written set of guidelines that is relevant to the financial and business operations with interested parties has been stipulated, which has been resolved by the Board of Directors.
 - D. The Risk Management Policies and Procedures are planned to be stipulated and submitted to the Board of Directors for resolution, disclosing the organization structure of risk management, the procedures of risk management, and the operational status thereof.
3. Increase the information transparency

Two Earnings Calls have been convened in 2023.
4. Promoting sustainable development
 - A. A human rights policy and substantial management plans have been formulated, taking into consideration the provisions of the International Bill of Human Rights.
 - B. The workplace diversity or promotion policies on gender equality have been formulated and the implementation status has been disclosed.
 - C. The signing of Social Responsibility Commitment by supply chain vendors has been promoted. The Supplier Management Policy has also been established, requiring suppliers to comply with the relevant regulations related to environmental protection, occupational safety and health, or human rights of labors.
 - D. The relevant information on corporate Governance, Strategy, Risk Management, and Metrics and Targets regarding climate risks and opportunities has been disclosed in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD).
 - E. The ISO 14064-1 certification has been completed in 2023.
 - F. Expected to introduce and construct the ISO 45001 occupational health and safety system.
 - G. Expected to complete the preparation of 2023 ESG Report by August 2024.

Honmyue Enterprise Co., Ltd
Review and Assessment Form for CPA
(Financial Tax)

Subject of assessment: Current CPA nominee: Hong Shu-Hua (洪淑華), Wang Yu-Juan(王玉娟)

1. Evaluation items on independency					
Item No.	Content of evaluation	Please tick			Remark
		Yes	No	N/A	
1	If the appointed accountant of the company has a direct or significant indirect conflict of interest that may affect their impartiality and independence regarding the assigned matters, they should recuse and abstain from undertaking the assignment.	✓			
2	The accountant provides the audit, review, re-audit, or project examination of financial statements and issues a letter of opinion. In addition to maintaining substantial independence, the accountant should also maintain formal independence. Thus, do members of the audit service team, other co-practicing accountants, or shareholders of juridical person accounting firms, accounting firms, affiliated enterprises of the firms, and alliance firms maintain independence from the company?	✓			
3	Does CPA appointed by the company maintain the following items: (1) Integrity: Accounts should execute professional services with integrity and a rigorous attitude. In professional and business relationships, accountants should be honest, sincere, fair, and trustworthy. (2) Fairness and objectivity: Accountants should execute professional services with a stance of fairness and objectivity, avoiding bias in professional judgments from prejudices, conflicts of interests, or vested interests. The stance on fairness and objectivity entails impartiality and staying professionally aware in providing information to and interacting with users. (3) Independence: Accountants should maintain both formal and substantive independence when performing the audit, review, re-audit, or project examination of financial statements and issuing a letter of opinion. They should express their opinions impartially.	✓			
4	The independence of accountants is related to their integrity, fairness, and objectivity. If independence is lacking or compromised during the appointment, it may affect their ability to maintain a stand of integrity, fairness, and objectivity.	✓			
5	The independence of accountants may be influenced by self-interest, self-review, advocacy, familiarity, and intimidation.	✓			
6	Independence affected by self-interest refers to situations where accountants obtain financial benefits from the company or experience conflicts of interest due to other vested interests. Whether the following circumstances impacts have occurred: (1) Direct or significant indirect financial interests associated with the company. (2) Financing or guaranteeing activities with the company or its directors. (3) Considering the potential for loss within the company. (4) Have a close business relationship with the company. (5) Have potential employment relationships with the company (6) Related to the audit case of the company or receiving audit-fees.	✓			
7	Since independence is affected by self-assessment, the reports issued or judgments made by accountants in performing non-audit cases are important evidence for evaluation conclusions during the process of audit or review of financial information. Additionally, if a member of the audit service team has previously served as a director of the company or held a position that directly and significantly affects the audit case, it may also affect independence. Whether the following circumstances of impacts have occurred: (1) The issuance of an assurance report on the effective operation of financial information systems designed or assisted in implementation by the firm. (2) Significant or important matters for the preparation of source documents by the firm that will be used in assurance engagements. (3) Members of the audit service team who have held positions as directors or managerial officials of the company, or positions with significant influence on audit cases currently or within the past two years. (4) Non-audit services provided to the company that will directly affect significant items of the audit case.	✓			

8	The impact of defense to independence refers to members of the audit service team becoming defenders of the company's stance or opinions, which raises questions about their objectivity. Whether the following circumstances of impacts have occurred: (1) Promoting or brokering the issuance of stocks or other securities issued by the company. (2) Except for businesses that are permitted by law, representing the company as the defender against third parties in legal cases or in other disputes.	✓			
9	The impact of familiarity on independence refers to the situation where close relationships with the company, directors, or managerial officials lead the accountant or the audit service team to overly focus on or sympathize with the interests of the company. Are there any situations stated below is under effect: (1) Members of the audit service team have familial relationships with directors and managerial officials of the company, or individuals holding positions of significant influence on audit cases. (2) A former co-practicing accountant who has served as a director or managerial official of the company, or held a position of significant influence on audit cases within one year of resignation. (3) Receiving valuable gifts, or special offers of substantial value from the company, its directors, managerial officers, or major shareholders.	✓			
10	The impact of coercion on independence refers to the situation where audit service team members are subjected to or perceive threats or intimidations from the company or other circumstances that prevent them from maintaining objectivity and clarifying professional doubts. Are there any situations stated below is under effect: (1) The client threatens to file a lawsuit. (2) The client threatens to revoke the appointment for non-audit engagements and coercively demands the accounting firm to adopt improper accounting treatment for a specific transaction. (3) The client threatens to terminate or not renew the appointment for the audit case. (4) To reduce fees, pressure is exerted on the accountant to inappropriately reduce the necessary audit procedures. (5) In the stance of a professional, a client personnel pressurizes the audit personnel to accept a particular professional judgment on a disputed matter. (6) The accountant requests members of the audit service team to accept inappropriate choices in accounting policies or improper disclosures in the financial statements made by the management level, with the condition that refusal will result in no promotion.	✓			
11	The firm and the members of the audit service team have a responsibility to maintain independence. When maintaining independence, they should consider whether the nature of the work being executed may impact independence and take measures to eliminate or reduce such impacts to an acceptable level.	✓			
12	When impacts on independence are confirmed to be material, the company, the firm, and the members of the audit service team have adopted appropriate and effective measures to eliminate or reduce these impacts to an acceptable level, and the conclusions are recorded.			✓	
13	If an accountant or accounting firm fails to take any measures or if the measures taken are unable to effectively eliminate the impacts on independence or reduce them to an acceptable level, it may be necessary to consider replacing the accountant in order to maintain independence.			✓	
14	Currently or within the past two years, whether the accountant and their audit team members have provided professional service reports that contain significant errors.		✓		
2. Evaluation Item on suitability					
Item No.	Content of evaluation	Please tick			Remark
		Yes	No	N/A	
1	Whether possessing accountant qualifications so that becoming eligible to execute accounting services.	✓			
2.	Whether there are no disciplinary actions imposed by the competent authority or accountant associations, or no penalties under Article 37, Paragraph 3 of the Securities and Exchange Act.	✓			
3.	Whether possessing industry related-knowledge of the company.	✓			

4	Whether the audit work of financial statements is conducted in accordance with generally accepted auditing standards and the "Regulations governing auditing and attestation of financial statements by Certified Public Accountant".	✓			
5	Whether there is no misuse of the accountant's position for improper competition in commercial activities.	✓			
3. Evaluation of AQI					
<p>In the need for high-quality audit services to increase the credibility of financial statements and ensure outsiders' confidence in the financial information of the company, the company has adopted the Financial Supervisory Commission's AQI (Audit Quality Indicators) disclosure framework, issued in August 2021. It includes five dimensions: professionalism, independence, quality control, supervision, and innovation capability, along with 13 indicators. These indicators broadly cover items relevant to audit quality and assist audit committees in more effectively and objectively assessing the audit quality of accounting firms and audit teams when selecting CPA. After reviewing the Audit Quality Indicators (AQI) of PwC Taiwan, there are no abnormal circumstances regarding the independence and suitability of CPA.</p>					
4. Assessment and audit opinions					
<input checked="" type="checkbox"/> Audit passed, recommended to appoint/ maintain tenure <input type="checkbox"/> There are doubts in the audit, recommended not to appoint/ change the accountant: Explanations:					

(4) Information on members of the Remuneration Committee

28th April 2024

Identity	Criteria Name	Professional qualifications and experience (Note 1)	Status of independence	Number of concurrent remuneration committee members in other public companies
Independent Director (Convenor)	Lin Hong-Zhao (林宏昭)	• Operation decisions and strategic management, leader of the organization	Comply with the independency (Note 2)	0
Independent Director	Hsiao Chen-Chi (蕭珍琪)	• Operation decisions and strategic management, leader of the organization • Finance and accounting	Comply with the independency (Note 2)	3
Others	Ye Gui-Zhu (葉桂珠)	• Operation decisions and strategic management, leader of the organization • Experience in textile-related industries • Finance and accounting	Comply with the independency (Note 2)	0

Note 1: The professional qualifications, experiences and major education, and career history of independent directors can be referred to the relevant information in "Information of Directors (1)" on pp.8-9.

Committee member Ye Gui-Zhu (葉桂珠):

International Master of Business Administration (IMBA), National Changhua University of Education

Specialist of The Second Credit Cooperative of Changhua

Director, Deputy general manager of the general manager's office, and spokesperson of Taiwan Paiho Limited

Status of Independence (Note 2):

The members of the company's Remunerations Committee, their spouses, and relatives within two degrees of kinship do not hold positions as directors, supervisors, or employees of the company or its affiliated enterprises; the directors and independent directors of the company, their spouses, and relatives within two degrees of kinship (or by nominee arrangement) also do not hold company's shares and positions as directors, supervisors, or employees of companies that have specific relationships to the company. In the recent two years, the directors and independent directors of the company, their spouses, and relatives within two degrees of kinship do not acquire remunerations by offering legal, financial, or accounting services to the company or its affiliated enterprises and businesses.

Information on the operation of the Remuneration Committee

1. The Remuneration Committee of the company consists of 3 members.

2. The term of office for this committee: From 27th August 2021 to 26th August 2024. The Remuneration Committee has convened four times during the latest fiscal year (A). The qualifications and attendance of committee members are as follows:

Title	Name	Attendance in person (B)	Attendance on proxy	Attendance Rate (%) (B/A)	Remark
Convenor	Lin Hong-Zhao (林宏昭)	4	0	100%	
Committee member	Hsiao Chen-Chi (蕭珍琪)	4	0	100%	
Committee member	Ye Gui-Zhu (葉桂珠)	4	0	100%	

Other mentionable items:

1. If the Board of Directors does not adopt or amend the recommendation of the Remuneration Committee, the date of the Board of Directors meeting, session, contents of motion, Board of Directors resolutions, and the company's response to the opinion of the Remuneration Committee (If the remuneration approved by the Board of Directors exceeds the recommendations of the Remuneration Committee, the difference and the

reasons for it should be disclosed: None

2. If there are members who object or have reserved opinions with records or a written statement on the resolutions of the Remuneration Committee, the date of the Remuneration Committee meeting, session, contents of motion, opinions of all the members, and the response to them should be specified: None

3. Important resolutions of the Remuneration Committee in 2023:

Date	Proposal	Result of resolution	The Company's response to the opinion of the Remuneration Committee
2023/1/10	1. Proposal on the distribution of year-end bonuses and operation performance bonuses for managerial officials for the year 2022.	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors. The interested parties did not participate in the voting. The proposal put forward by the Remuneration Committee was approved by the remaining attending Directors
	2. Proposal on the appropriation ratio of director and employee remunerations for the year 2023.	The matter was put by the Chair before all members present at the meeting and was approved unanimously that the estimated appropriation rate for director and employee remunerations in 2023 was set at 3% and 3% respectively	Submitted to the Board of Directors and approved unanimously by all Directors in attendance..
2023/3/28	1. Proposal on the remuneration distribution of directors and employees for the year 2022.	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors and approved unanimously by all Directors in attendance..
	2. Proposal on the amendments to the "Handling Procedures of Bonus for Employee Performance"	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors and approved unanimously by all Directors in attendance..
	3. Proposal on the amendments to the "Handling Procedures of Salary to Managerial Officials."	After the discussion by all attending members, the Company was instructed to further discuss the amendment to "Handling Procedures of Salary to Managerial Officials" and to submit such to the Remuneration Committee for discussion.	Submitted to the Board of Directors. The proposal put forward by the Remuneration Committee was approved by the remaining Directors in attendance.
	4. Proposal on the salary adjustment and item adjustment of salary structure for managerial officials.	1. After the discussion by all attending members, the item adjustment of salary structure for managerial officials are reserved for discussion as the "Handling Procedures of Salary to Managerial Officials" requires further consideration. 2. The salary adjustment of 2 managerial officials put forward at this meeting by the Chair was approved unanimously by all attending members.	Submitted to the Board of Directors. The proposal put forward by the Remuneration Committee was approved by the remaining Directors in attendance.
2023/5/12	1. Proposal on the distribution of 2023 Dragon Boat Festival (Mid-year) performance bonus to managerial officials.	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors. The interested parties did not participate in the voting. The proposal put forward by the Remuneration Committee was approved by the remaining attending Directors.
	2. Proposal on the amendment to the "Handling Procedures of Salary to Managerial Officials" of the Company.	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors and approved unanimously by all Directors in attendance..
2023/8/11	1. Proposal on the distribution of "Director Remunerations for the year 2022"	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors and approved unanimously by all Directors in attendance..
	2. Proposal on the distribution of "Employee Remuneration for the year 2022" to managerial officials.	The matter was put by the Chair before all members present at the meeting, where no objection was voiced, and was approved unanimously.	Submitted to the Board of Directors. The interested parties did not participate in the voting. The proposal put forward by the Remuneration Committee was approved by the remaining attending Directors.

(5) Progress of implementing sustainable development and its discrepancy with the "Sustainable Development Best Practice Principle for TWSE/TPEX Listed Companies", and the reasons accounted for the discrepancy:

Promoting item	Status of implementation			Discrepancy from the "Sustainable Development Best Practice Principle for TWSE/TPEX Listed Companies", and its reasons:
	Yes	No	Abstract Illustration	
1. Does the Company establish a governance framework to promote sustainable development and set up a specialized (part-time) position to promote sustainable development? Has the Board of Directors authorized senior management to handle this, and what is the status of supervision by the Board?	✓		<p>The company established the "ESG (Environmental, Social, and Governance) Sustainable Development Committee" in June 2022, under the approval of the Board of Directors. The committee is headed by the General Manager and consists of three sub-committees of environmental sustainability, social responsibility, and corporate governance, coordinated and led by the Head of the Department of Production, Head of the Department of Administration, and Head of Corporate Governance respectively. The chairman reports the annual plan and progress of implementation to the Board of Directors. The first anniversary operating report of the Committee was submitted to the Board of Directors on 3th August 2023.</p> <p>The ESG Sustainable Development Committee held a total of 3 meetings in 2023 and the contents of motions include:</p> <p>(1) Identify sustainability issues of concern and respond with formulated action plans.</p> <p>(2) Amendments to the targets and policies of sustainability-related issues.</p> <p>(3) Implementation of sustainable business and evaluation of the execution status thereof.</p>	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues relevant to its business operations based on the principle of materiality? Has the Company established related risk management policies or strategies?	✓		<p>Although the company has not conducted risk assessments based on the principles, it upholds the business philosophy of "Integrity, Proactivity, Initiative, and Innovation", and combines various risks within the company to conduct comprehensive management. In the future, assessments will be conducted in accordance with laws and regulations, as well as operational needs.</p> <p>The Company conducts analysis in accordance with the materiality principle in the sustainability report, communicates with internal and external stakeholders, reviews international/national research reports and literature, integrates data from various departments, evaluates material ESG issues, and formulates effective identification, assessment, control, and supervision of risk management policies, and the adoption of specific action plans to reduce the impact of related risks. The risk evaluation range focuses on the parent company of Honmyue in Taiwan. For details please refer to Note 1.</p>	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
3. Environmental Issues (1) Does the Company establish a suitable environmental management system according to the industry characteristics?	✓		<p>(1) The company's Taiwan factory plants have established a management system based on ISO 14001 Environmental Management System. They have also stipulated management policies and moved towards the plan for the progress of energy saving and carbon reduction. In 2023, the Company has passed the ISO 14064-1 Certification on Greenhouse Gas Emissions. The company is gradually moving towards the goal of achieving net-zero carbon emissions.</p> <p>The company has obtained industry-related environmental certifications: the Bluesign by a Swiss environmentally friendly international organization and the Global Recycle Standard (GRS) certifications.</p>	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

Promoting item	Status of implementation			Discrepancy from the "Sustainable Development Best Practice Principle for TWSE/TPEX Listed Companies", and its reasons:															
	Yes	No	Abstract Illustration																
<p>(2) Has the company been dedicated to the enhancement of efficient energy use and the use of renewable materials that have a lower impact on the burden of the environment?</p> <p>(3) Has the company evaluated the impacts of climate change on current and future potential risks and opportunities of the company, and adopted relevant measures in response to them?</p>	✓		<p>(2) The company complies with relevant environmental regulations and actively procures various high-performance equipment to enhance the efficient use of resources. It also adopts global standards and platforms, such as the HIGG Index, as a management framework.</p> <p>1.Regarding waste management, the company prioritizes waste reduction, followed by reuse, and finally disposal. To ensure proper control over the flow of waste, the company cautiously selects qualified waste transportation or recycling vendors.</p> <p>2.The company continuously utilizes various recycled materials, such as ocean waste and recycled yarns from fabrics, to develop eco-friendly fabrics, aiming to reduce its impact on the environment. In 2023, the percentage of developed samples using the eco-friendly yarn "Recycle" as raw materials or in processing was 54%; whereas the sales proportion of the same reached more than 20%.</p> <p>✓ (3) The ESG Sustainable Development Committee is the highest organization governing the Company's management on climate change.</p> <p>The Company discloses the relevant information on Governance, Strategy, Risk Management, and Metrics and Targets regarding climate risks and opportunities in compliance with the framework of the TCFD recommendations issued by the Financial Stability Board. We also continue to execute various energy-saving and carbon-reducing plans, including implementing green projects in plants, reducing the usage amount of electricity and diesel oil for vehicles, promoting high efficiency at the 5S campaign, lessening unnecessary energy consumption, improving equipment efficacy, maintaining equipment in good condition, reducing refrigerant fugitiveness, and encourage employees to practice low-carbon emissions and plastic-free in daily life. The detailed description of the risk and opportunity analysis on climate change of the Company has been disclosed on the Company website at (https://pse.is/5vxslw).</p>																
<p>(4) Has the company calculated the volume of greenhouse gas emissions, water used, and the total weight of wastes generated in the past two years? Has the company stipulated management policies on greenhouse gas reduction, reducing water use and other wastes?</p>	✓		<p>(4)</p> <p>1. The company has inspected the factory plants in Taiwan (Chuansing Factory and Shengang Factory), and the statistic figures for 2022 and 2023 are as follows:</p> <p>(1) Volume of greenhouse gas emissions: Unit: (Metric Ton CO2e/ Year)</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Year</th> <th>Category 1</th> <th>Category 2</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>1447</td> <td>14,566</td> </tr> <tr> <td>2023</td> <td>1430</td> <td>12,796</td> </tr> </tbody> </table> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Target of 2023</th> <th>Compliance level of 2023</th> <th>Target of 2024</th> </tr> </thead> <tbody> <tr> <td>Reduce the volume of emissions by 3%</td> <td>The annual greenhouse gas emissions have been reduced by 1,787 metric tons (a 11% reduction), and the target is reached.</td> <td>Reduce the volume of emissions by 3%</td> </tr> </tbody> </table> <p>(2) Volume of water used:</p>	Year	Category 1	Category 2	2022	1447	14,566	2023	1430	12,796	Target of 2023	Compliance level of 2023	Target of 2024	Reduce the volume of emissions by 3%	The annual greenhouse gas emissions have been reduced by 1,787 metric tons (a 11% reduction), and the target is reached.	Reduce the volume of emissions by 3%	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
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<p>4. Social Issues</p> <p>(1) Has the company established management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?</p>	✓		<p>(1) The company complies with local labor regulations in all the global business locations, adhering to internationally recognized human rights standards such as the "International Bill of Human Rights", the "Core Labor Standards of the International Labour Organization.", and the Social Accountability Standard System. Besides treating all employees, including current staff, contract workers, temporary personnel, and interns respectfully, the company also discloses its policies on labor rights on the company website. We are committed to concerning human rights issues and continuously raising awareness among its employees to further reduce the occurrence of potential risks. The Company's execution guidelines include respect in human rights of labor, gender equality in the workplace, safety measures for female workers during night shifts, and the prohibition of child labor. In 2023, the Company did not have appeals related to human rights or incidents of breach of human rights commitment with employees and all stakeholders.</p>	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"										

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(2) Does the Company establish and implement reasonable employee welfare measures (including salaries, leaves, and other benefits), and appropriately reflect business performance or results in employee salaries?	✓		<p>(2) Employee remuneration: The company will reflect its operational performance properly in employee remuneration. According to the provision of the Articles of Incorporation, if there are profits in the fiscal year, a minimum of 2% of the profits should be appropriated for employee remuneration. In 2023, the appropriation was not available as there was no profit. Additionally, according to the provision of the "Procedures for the reward of employee performance", 15%~17% of the mid-term and end-year net profits after tax are appropriated as employee performance bonuses.</p> <p>Employee leave: It is implemented in accordance with the regulations of one fixed day off and one flexible rest day stated in the Labor Standards Act. Also, employees are provided with annual leave and leaves specified in the Act of Gender Equality in Employment.</p> <p>Measures for employee welfare: The company has established the Employee Welfare Committee to implement various measures for employee welfare. Please refer to "5.5 Labor Relations" of this Annual Report. (pp.71)</p> <p>In 2012, the Retired and Resigned Employees Association was established to provide care for our retired and resigned employees. As of 2023, a total of 312 individuals have joined the association. In the event of a major or emergency incident affecting any of our retired or resigned employees, appropriate financial assistance will be promptly provided.</p>	
(3) Does the Company provide a safe and healthy working environment, and regularly implement safety and health education to employees?	✓		<p>(3) The company provides a safe and secure working environment for its employees, ensuring compliance with relevant laws and regulations. It has established the "Regulations on Safety and Health Management", "Regulations on the Use and Management of Personal Protective Equipment (PPE)", and Occupational Safety and Health Committee in 2022, stipulating related guidelines of work to prevent occupational hazards. Fire regulation compliance and disaster emergency response drills are conducted regularly (twice a year) and the entire factory and office buildings are completely disinfected annually. The Company also has factory doctors or nurses to serve employees regarding health-related issues, and organizes unscheduled lectures on preventive care with a total of 140 persons in attendance. (E.g. health checkup analysis and metabolic syndrome in 2023.) In consideration of employee safety, the company also places electronic blood pressure monitors and Automated External Defibrillators (AEDs) at fixed locations. In the event of an accident or emergency, these measures aim to strive for critical time to save employees' lives and ensure a safer working environment for all employees. Noise inspections are regularly conducted every six months to ensure a safe working environment. In 2023, there were a total of 2 work-related accidents, occurred on the way between home and work, among our employees, which comprised 0.418% of the workforce. Apart from handling the incidents properly, reviews on their causes and promotional education sessions are conducted to let our colleagues understand the reasons behind the incidents and take preventive measures to avoid their recurrence. To ensure working safety, the ISO 45001 system is introduced to systematically identify potential risks within the factory plant and implement risk control measures to minimize the occurrence of accidents.</p> <p>In 2023, the training and education on work safety were carried out as follows: For orientation and training of new employees as well as education and training on occupational safety provided by day/night shift firemen, a total of 6 training sessions were conducted with a participation of 49 individuals.</p>	

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(4) Has the Company established an effective training scheme for the development of career skills?	✓		<p>(4) To implement employee training and career development, various job-related educational training programs are provided for employees. From the company's mid to long-term strategies to the annual policy plan, the gaps in achieving strategic objectives are assessed and corresponding training course plans are proposed in order to strengthen individual and corporate competitiveness.</p> <p>2023 Status of implementation:</p> <ol style="list-style-type: none"> 1. New employees: To facilitate the quick integration of new employees into the company and let them understand the company culture, 1 orientation training session for new employees was organized, with a total of 14 participants. 2. For key executives, the company plans and implements a course on system leaning. And in alignment with the company's three definitions of values, namely "increasing profits, reducing costs, and eliminating risks", diversified and advanced training programs are launched. Throughout the year, a total of 52 internal and external training sessions were conducted, with a participation of 483 individuals and a total training duration of 1,248 hours. Additionally, there were 300 on-the-job training sessions conducted on-site, involving 1,809 individuals. 	
<p>(5) Regarding issues related to customer health and safety, customer privacy, marketing, and labeling of products and services, does the company adhere to relevant laws and regulations and international standards and develop related policies and appeal procedures to protect consumer or customer rights?</p> <p>(6) Has the company established a supplier management policy that requires suppliers to adhere to relevant standards in environmental protection, occupational health and safety, and labor rights? If so, what is the implementation status?</p>	<p>✓</p> <p>✓</p>		<p>(5) The company complies with relevant laws and regulations and international standards in the marketing and labeling of products and services. We have established a customer service unit and a zone for interested parties to act as a channel of complaint, and protect clients' and consumers' rights.</p> <p>(6) The company is concerned about sustainable business, which consists of environment, social, and economic aspects, and is committed to enhance the performance management of the supply chain to bring the sustainable influence of responsible supply chain into full play. To select suppliers that meet the Company's needs, to stabilize the quality of imported materials, and to regulate the relevant issues of environment protection, safety, and health, the Company formulated and the "Regulations of Suppliers Management" for compliance. The levels of suppliers are evaluated and categorized by responsible units. Only those who obtain an Excellence or A in the evaluation can be the Company's qualified suppliers. There were a total of 43 suppliers during the year of 2023 that were listed as the Company's qualified suppliers. Furthermore, to continuously implement the improvement actions through the Company's influence, we promote standards in environmental protection, occupational safety and health, and human rights of labors. Also, we gradually require major suppliers to sign a "Supplier Social Responsibility Commitment" to ensure the respect for all works, environmental safety, and employees in the supply chain, the responsibility for environment during the manufacturing process, and compliance of labor's safety and health. In 2023, a total of 13 suppliers signed the "Supplier Social Responsibility Commitment."</p>	

Promoting item	Status of implementation			Discrepancy from the "Sustainable Development Best Practice Principle for TWSE/TPEX Listed Companies", and its reasons:
	Yes	No	Abstract Illustration	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Has the aforementioned report been assured and verified by a third-party accreditation unit?		✓	The Company has not yet prepared the 2022 ESG Report during the year of 2023. Nonetheless, the company has already set up a Corporate Social Responsibility (CSR) section on its website. And according to the actual status of implementation, the relevant information is disclosed on the company website and the Market Observation Post System (MOPS). The 2023 ESG Report will be completed in 2024.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
6. If the company has adopted its own sustainable development best practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please explain the discrepancy, if any, of the operation principles: Although the company has not adopted the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", we are still committed to fulfilling corporate social responsibilities in three major areas, namely corporate governance, environmental protection, and social welfare. We strive to go beyond mere compliance with textual regulations and aim to achieve mutual benefits between the company, customers, society, and the environment.				
7. Other important information that helps to understand the implementation of sustainable development: <ul style="list-style-type: none"> · Environmental Sustainability: The Company's factories in Taiwan set up the management system through ISO 14001 Environmental Management System and established management policies, progressing to energy conservation and carbon reduction. We have obtained the ISO 14064-1 Greenhouse Gases Emissions certifications in 2023 and are moving towards the goal of carbon net-zero. · Company Product: The Company's screen fabric products obtained the GreenGuard Gold Certification. · Social Responsibility: The Group actively integrates internal resources and cooperates with stakeholders. We constantly participate in various public welfare events and generously donate to social welfares annually through "Changhua Honmyue Charity Association." In the meantime, we especially emphasize on the operation of the ESG Committee in the social aspect to ensure the Company's sustainable development in the society. Additionally, we have always prioritize the hiring of local talents in order to provide job opportunities, boost the local development in Changhua county, and contribute in the prosperity and improvement of the local society. <ol style="list-style-type: none"> 1. Care for the underprivileged: <ol style="list-style-type: none"> (1). Participating in the winter relief held by Huide Nengren Abode in Changhua County. (In 2023, a total of 259 households were assisted.) (2). Participating in the winter relief held by O&S Charity Foundation. (In 2023, a total of 40 households were assisted.) (3). Providing emergency assistance to neighboring towns (Hemei Township, Xianxi Township, Shengang Township). (In 2023, a total of 2 individuals were case beneficiaries.) (4). Participating in charity carnival of "Cherishing Changhua Children and Family," selling second-hand goods, and donating to the Changhua Family Support Center. (5). Donating to the Huashan Social Welfare Foundation's "Love for the Elderly, Love for Reunion" event, supporting 160 sets of Chinese New Year dishes. 2. Care for education: <ol style="list-style-type: none"> (1). Providing scholarships for financially disadvantaged students in junior high schools, senior high schools, and vocational schools of neighboring towns (Hemei Township, Xianxi Township, and Shengang Township) In the first and second semesters of 2022, a total of 86 scholarships were granted. (2). Donating to the Taiwan Reading Culture Foundation's "Library of Love" project. (In 2023, a total of 47 boxes of books have been donated with a total of 24,690 readings.) 3. Care for the community: <ol style="list-style-type: none"> (1) Sponsoring local police and fireman, and donating equipment in Hemei and Shengang. (A total fund of NT\$189,960.) (2) Funds for campaigns and cultural education establishment in the neighboring community. (A total fund of NT\$181,000.) (3) Employment seminar – 2023 Enhancing the Returning to Work for Women of Second Career, held by Changhua County Sorority. 4. Care for the Environment: Participated in beach cleaning. (A total of 4,703 KG garbage was collected.) 5. Awards: <ol style="list-style-type: none"> (1) Awarded the 1st "Work-Life Balance Award" from the Ministry of Labor, Executive Yuan. (2) Awarded Four-Star Award for "Energetic Changhua Blissful Workplace" by the Changhua County Government. (3) Awarded the 3rd 'Group Award for Exemplary Labors' from the Ministry of Labor. (4) Obtained the Sporting Enterprise Certification issued by the Sports Administration, Ministry of Education. 				

Promoting item	Status of implementation			Discrepancy from the "Sustainable Development Best Practice Principle for TWSE/TPEX Listed Companies", and its reasons:
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(5) Awarded outstanding member of the Labour Relations Association of Changhua County. (6) Obtained the Commonhealth CHR2020 Health Enterprise Citizen Commitment Enterprise. (7) Awarded in the Golden Like Award of Labour Proposals.				

Note 1:

According to the risks after evaluation, the following are the policies or strategies related to risk management formulated for the implementation of sustainable development in 2023:

Material Issues	Risk Assessment Item	Description
Environment	Environmental Impact and Management	1. The Company effectively reduces the emissions of pollution and the impact on the environment by the executing the managerial circulation of process safety and systemization. 2. The U.S. and the EU are the Company's main markets, where the products and factories are required to meet certain environmental regulations. Therefore, the Company obtained the "Bluesign®" certification in 2010 of a high standard of production process by a Swiss international organization for environmental protection, and the "Global Recycle Standard (GRS)" certification in 2015. We continue to maintain the validity of the certificates. 3. In 2023, the Company proactively cooperated with Taiwan Textile Research Institute to arrange training courses on ISO 14064-1 Carbon Footprint Verification. A total of 21 employees participated in and complete the relevant courses. 4. In compliance with ISO 14064-1 Greenhouse Gas Emissions, the Company verifies the greenhouse gases emissions on a regular basis and examines the impact on our operations. According to the results of carbon verification, we formulate carbon-reducing measures to effectively decrease the emission risks in category one and the direct emissions of greenhouse gases by using electricity in category two.
Society	Occupational Safety	1. To implement the guarantee of labor safety and health and the prevention of occupational accidents, the Company established the "Occupational Safety and Health Committee" to set up and promote campaigns of safety and health. 2. The Company has "Regulations on Safety and Health Management" and "Regulations on the Use and Management of Personal Protective Equipment (PPE)" in place. We also organize fire regulation compliance and disaster emergency response drills annually and advocates on occupational safety on an unscheduled basis to cultivate employees' abilities of emergency response and self-management on safety.
	Product, Equipment, and Plant Safety	Fire could cause huge losses beyond assessment to enterprises. Products, equipment, and plants are protected with fire insurances.
Corporate Governance	Social Economy and Legal Compliance	1. Through the establishment of corporate governance organization and the implementation of internal control system, the Company ensures every member and operation to adhere to the relevant laws and regulations. 2. The Company patented for its R&D products to protect company rights and interests.
	Strengthening of Directors' Functions	1. Relevant educations on issues are scheduled and the latest laws and regulations, system development, and policies are provided annually for directors. 2. The "Regulations on Performance Evaluation of the Board of Directors" are in place to regularly execute assessments for the purpose of strengthening the operational efficiency of the Board of Directors. 3. We have insured the Directors Liability Insurances for Directors and Managerial Officers to minimize the litigation risks and increase their willingness to take risks and perform their functions.
	Communication with Stakeholders	Various communication channels are established for active communication and reduction of confrontation and misunderstanding. The contact information of spokesman and representative spokesman is displayed on the Company website to actively handle and respond to stakeholders' questions.

(6) Status on the execution of ethical corporate management and its discrepancy to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", and the reasons that accounted for the discrepancy.

Evaluation item	Status of operation			Discrepancy from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>1. Implementation of ethical corporate management policies and measures</p> <p>(1) Has the Company established an ethical corporate management policy approved by the Board of Directors, and clearly indicated the policy and practices of ethical corporate management in its regulations and external documents? Have the Board of Directors and senior management officials committed to actively implementing the policy?</p> <p>(2) Has the company established a mechanism for assessing the risk of dishonest behavior and regularly analyzing and evaluating business activities that are more prone to the risk of dishonest behavior? Has it used this information to develop measures to prevent dishonest behavior, and at least cover the measures specified in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(3) Has the Company defined operational procedures, behavioral guidelines, disciplinary measures for violations, and the establishment of an appeal system to prevent dishonest behaviors? Are they effectively implemented and reviewed regularly for modifications?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company has stipulated the "Procedures for ethical management and Guidelines for conduct," which was approved by the Board of Directors in March 2017 and revised in March 2020, and is publicized on the company's website. On the other hand, the company has developed internal operational guidelines and internal control systems. The company regularly evaluates its operations and reports the evaluation results to the Board of Directors.</p> <p>(2) The company stipulated the "Procedures for ethical management and Guidelines for conduct" according to the "Ethical Corporate Management Best Practice Principles". It requires all employees to uphold high ethical standards, protect the company's reputation, and comply with laws and regulations, which are of utmost importance.</p> <p>To ensure that employees maintain awareness of ethical behavior, besides the announcement of "Procedures for ethical management and Guidelines for conduct" on the official website that allows easy access by employees, the company also discloses its status of annual ethical management in the Annual Report and on the company's website. Regular educational programs are conducted to raise awareness among employees.</p> <p>The company provides channels for reporting any potential violations of professional ethics and adopts a serious attitude in investigating and verifying such behavior fairly.</p> <p>(3) The company has stipulated the "Procedures for ethical management and Guidelines for conduct" and specific guidelines for compliance with different laws and regulations. The consequences of violating these guidelines are clearly stated in the employee code of conduct. Additionally, a reporting system and complaint channels are established in the Interested Parties' Zone of the company's website. The audit department plays an important role in ensuring ethical management and compliance with laws and regulations.</p> <p>Internal audits are conducted according to the annual audit plan approved by the Board of Directors, and the audit results and subsequent improvement plans are reported to the Board of Directors and the management level, as well as the implementation of the "Ethical business operations and Guidelines of conduct".</p>	<p>Comply with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"</p>
<p>2. Implementing Ethical Corporate Management</p> <p>(1) Does the Company evaluate the integrity records of its counterparties and include integrity clauses in contracts signed with them?</p>	<p>✓</p>		<p>(1) Besides training employees on maintaining the concepts of integrity in business operations, the company also ensures that its suppliers, customers, and commercial partners, can understand and acknowledge the company's procedures for ethical management. This is achieved by incorporating clauses related to ethical practices in commercial contracts. The company assesses the legitimacy of counterparties and checks for any records of dishonest behavior through credit limit evaluations, credit investigations, or verification procedures. If any counterparty involved in business transactions or collaborations is found to have engaged in dishonest behavior, the company reserves the right to unconditionally suspend or terminate the contract.</p>	<p>Comply with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"</p>

Evaluation item	Status of operation			Discrepancy from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish a specialized unit under the Board of Directors to promote ethical corporate management and report to the Board of Directors regularly (at least once a year) on its ethical management policy, and measures to prevent dishonest behavior and their supervision of implementation?	✓		(2) The company has established an "Integrity Management Committee", which is composed of the Management Center of the General Manager's Office and relevant departments. This committee is responsible for assisting in promoting the company's integrity management. On 2 nd February 2024, the committee reported the implementation status for the year 2023 to the Board of Directors.	Comply with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Does the company establish a policy to prevent conflicts of interest, provide appropriate reporting channels, and implement it?	✓		(3) The company has stipulated clauses on the avoidance of conflict of interest in its Rules of procedures of Board of Directors meetings and ensures their exact implementation. All employees are required to comply with these regulations to uphold the spirit of ethical managements in the company. Additionally, policies to prevent conflicts of interest and channels for reporting illegal or unethical behavior are clearly defined for senior executives such as directors and managerial officials, and all employees. The company also provides an employee care mailbox and appropriate channels for statements and reports.	
(4) Has the company established effective accounting and internal control systems to ensure ethical corporation management? Has it established relevant audit plans by the internal audit unit based on the evaluation of the risk of dishonest behaviors? Has it used these audit plans to check on compliance with the prevention plan for dishonest behavior, or has it entrusted an accountant to carry out the audit?	✓		(4) The company values highly on ensuring the accuracy and completeness of financial reporting processes and internal controls. Specific internal control systems are designed for operational procedures with higher potential risks of dishonest behavior. Besides that, through annual self-assessment of enterprise internal controls, each department of the company must review its internal control system design and the effectiveness of implementation. The internal audit unit also formulates an annual internal audit plan based on the results of risk assessments and conducts various audits. The audit results are reported to the Board of Directors and the management level.	
(5) Has the Company regularly organized internal and external education and training on ethical management?	✓		(5) Every year, the Management Center of the General Manager's Office promotes education on ethical management for all employees. Topics such as "Operating procedures for handling material inside information and prevention of insider trading" and "Ethical business practices", as well as other matters of awareness are publicized to employees through the internal education and training system. Moreover, the "Guidelines on ethical business practices and insider trading" are publicized to new employees. In 2023, a total of 3 education and training sessions were conducted, with a total duration of 4.5 hours and the participation of 132 individuals. The presentation and video files have been uploaded to the internal employee learning platform after the sessions for reference for those who did not attend.	

Evaluation item	Status of operation			Discrepancy from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Abstract Illustration	
<p>3. Operation Status of the Reporting System of the Company</p> <p>(1) Has the company established specific reporting and reward systems, and set up convenient reporting channels, as well as assigned appropriate personnel responsible for the subject being reported for misconduct?</p> <p>(2) Has the Company established standard operating procedures for accepting reports, and has it adopted follow-up actions after investigation and relevant confidentiality measures?</p> <p>(3) Has the company taken measures to protect whistleblowers from improper treatment as a result of their whistleblowing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The company's website and internal network have set up an independent reporting mailbox and telephone to allow employees and external individuals to report any instances of financial, legal, and integrity-related misconduct. These reporting channels also allow anonymous reporting. The auditing office is the investigation unit for reported cases.</p> <p>(2) Within the "Investors' Zone" of the company website, an independent section is established specifically for contact with interested parties. A reporting system is also implemented to allow both employees and external individuals to make reports, and they are received and investigated by specialized personnel. The company maintains strict confidentiality regarding the identity of the whistleblower and the content of the report with a written statement, and conducts with a rigorous approach.</p> <p>(3) When the company accepts a report and starts the investigation, besides ensuring the confidentiality of the whistleblower, the handling, investigation process, findings, and related records are treated with utmost confidentiality and rigor. The company is committed to safeguarding whistleblowers from any improper treatment or punishments as a result of their reporting</p> <p>No reported matters were received in 2023.</p>	<p>Comply with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"</p>
<p>4. Enhancing Information Disclosure</p> <p>Has the company disclosed the content of its regulations on ethical management and its promotion effects on the company website or Market Observation Post System (MOPS)?</p>	<p>✓</p>		<p>The "Procedures for ethical management and Guidelines for conduct" are stipulated under the resolution of the Board of Directors, and the relevant information is publicized on the company website and Market Observation Post System (MOPS).</p>	<p>Comply with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"</p>
<p>5. If the Company has established its regulation on ethical corporate management in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please explain its operation and its discrepancy to relevant regulations:</p> <p>The company has stipulated the "Procedures for ethical management and Guidelines for conduct", and will report the status of implementation annually to the Board of Directors.</p>				
<p>6. Other important information that is helpful for understanding the ethical business practices and management of the company: (eg. the status of review and amendment to its Ethical Corporate Management Best Practice Principles):</p> <p>The company's guidelines of conduct will be updated and revised in line with current trends. In addition to complying with the laws and regulations, the guideline will be reviewed and amended as necessary to meet the demands of ethical business practices.</p> <p>The company will also conduct education and training programs to reinforce ethical business practices and ensure the implementation of concepts.</p>				

(7) If the company has stipulated corporate governance regulations and other related regulations, the way to access them shall be disclosed:

1. Relevant regulations regarding corporate governance that are stipulated by the company are as follows:

- (1). Rules of Procedure for Shareholders' Meetings
- (2). Rules of Procedure for Board of Directors Meetings
- (3). Procedures for election of directors
- (4). Operating Procedures for acquisition and disposal of assets
- (5). Operating Procedures for loaning funds to others
- (6). Procedures for endorsements and guarantees
- (7). Organizational regulations of the Remunerations Committee
- (8). Organizational regulations of the Audit Committee
- (9). Operating procedures for handling material inside information and prevention of insider trading
- (10). Procedures for ethical management and Guidelines for conduct
- (11). Policies on the diversification of members of the Board of Directors
- (12). Corporate governance best practice principles
- (13). Information security and risk management
- (14). Rules governing financial and business matters between related parties

2. Method of inquiry: Inquiry under the item "Investors' Zone" on the company webpage (<http://www.textile-hy.com.tw>)

(8) Other material information for increasing understanding of the status of implementing corporate governance:

1. The company has stipulated "Operating procedures for handling material inside information and prevention of insider trading" which clearly regulates the handling of material inside information of the company and disclosure mechanisms. The prevention of insider trading is also strengthened. Directors, managerial officers, and employees should comply with these regulations, and publication sessions will be conducted periodically for all employees.

2. Status of continuing education of managerial officials, auditors, and other related personnel:

Name	Date	Organizer	Name of course	Study Hours
Head of accounting Pan Li-Zhe (潘立哲)	2023/10/30 ~ 2023/10/31	Accounting Research and Development Foundation	Professional courses of continuous training for issuers, securities firms, stock exchanges, and accounting managers	12
Audit Supervisor Chen Yu (陳昱)	2023/12/4	The Institute of Internal Auditors, R.O.C.	Prevention on workplace sexual assault and unlawful infringement (bullying)	6
	2023/12/18		Practices and discussions on "Information Security" and "Cloud Security"	6

(9) Implementation status of the internal control system

1. Statement on the Internal Control System

Honmyue Enterprise Co., Ltd.
Statement on the Internal Control System

Date: 8th March 2024

Based on the results of the self-evaluation of the internal control system of the company in 2023, the following is hereby declared:

1. The company is aware that it is the Board of Directors' and the management officials' responsibilities to establish, implement, and maintain an internal control system. The company has already established such a system. The purpose of this system is to ensure reasonable assurance on the achievement of these several objectives: The effectiveness and efficiency of the operations (including profitability, performance, asset security, etc.), providing reports that are reliable, timely, and transparent, and compliance with relevant laws and regulations.
2. Internal control systems have their innate limitations, and no matter how well-designed they are, they can only provide reasonable assurance for achieving the three objectives mentioned above. Furthermore, the effectiveness of internal control systems may also change due to changes in the environment and circumstances. However, the Company's internal control system includes a mechanism for self-supervision. If any shortcoming is identified, the company will take action to rectify them immediately.
3. The Company assesses the effectiveness of the design and implementation of the internal control systems based on the criteria for determining the effectiveness of these systems stated in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (quoted as "Regulations" below for short). The criteria for determining the effectiveness of internal control systems adopted by the "Regulation" divides the system into five composing factors according to the process of management control: 1. Environment control, 2. Risk evaluation, 3. Operations control, 4. Information and communication, and 5. Operations supervision. Each component factor includes various items. Please refer to the "Regulations" for the items mentioned above.
4. The company has adopted the aforementioned criteria for evaluating the effectiveness of the design and implementation of internal control systems.
5. Based on the evaluation results from the preceding item, the company believes that the design and implementation of its internal control systems (including supervision and management of subsidiaries) as of 31st December 2023 can reasonably guarantee the achievement of the following objectives: understanding the degree of achievement of operational effectiveness and efficiency targets, providing reports that are reliable, timely and transparent, and compliance with relevant laws and regulations.
6. This statement will become a major content of the company's Annual Report and Prospectus, and will be made publicly available. If there is any falsehood, concealment, or other illegal affairs in the above public content, it may involve legal responsibilities under the Securities and Exchange Act, including Article 20, Article 32, Article 171, and Article 174.
7. The statement was approved by the Board of Directors on 8th March 2024. It is hereby declared that out of the 11 present directors, no one expressed any objections, and all agreed with the contents of this statement.

Honmyue Enterprise Co., Ltd.

Chairman: Ye Ming-Zhou (葉明洲) Signature
General Manager: Guo Zheng-Pei (郭正沛) Signature

2. Disclosure of the auditor's review report when the internal control system is reviewed by an auditor assigned on a project basis: None

(10) In the most recent fiscal and as of the date of publication of the Annual Report, if there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equities or prices of securities, the content of the penalty, the main shortcomings, and condition of improvements shall be disclosed: None

(11) Important resolutions of the Shareholders' Meeting and the Board of Directors in the most recent fiscal year and as of the date of publication of the Annual Report.

1. Important resolutions of the Shareholders' Meeting

Date	Proposal	Resolution and the status of implementation
2023/6/26	1. The 2023 Business Report and Financial Statement.	The original proposal was approved by a vote of all present shareholders and was announced in the important resolution items of the Shareholders' Meeting.
	2. The profit distribution plan for the year 2022.	The original proposal was approved by a vote of all present shareholders: Cash dividends were distributed at NTD 0.4 per share and had been distributed on 27th September 2023.
	3. Proposal on the amendments to the "Articles of Incorporation."	The original proposal was approved by a vote of all present shareholders Change of registration was completed: Business Permit No. 11230130540 by the Ministry of Economic Affairs dated 19 th July 2023.

2. Important resolutions of the Board of Directors

Date	Proposal	Result of resolution
2023/1/10	1. The 2023 Business Report.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	2. Proposal on the distribution of year-end bonuses and operation performance bonuses for managerial officials for the year 2022.	The related parties concerning this proposal temporarily withdrew from the meeting and did not participate in the voting. The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	3. Proposal on the appropriation ratio of director and employee remunerations for the year 2023. 【2023 Appropriation ratio of director and employee remunerations were estimated at 3%, respectively】	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	4. In order to meet the operational funding requirements, the company plans to apply for a renewal and sign a financing facility with the original financial institution.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
2023/3/28	1. The 2022 Individual and Consolidated Financial Statements of the company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	2. Proposal on the amendments to the "Articles of Incorporation" of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	3. Proposal on the 2022 earnings distribution of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, and was resolved that the earnings distribution for 2022 be made in the form of a cash dividend of \$0.4 per share, which will be submitted to the Shareholders' Meeting for approval.
	4. Proposal on the distribution of director and employee remunerations for the year 2022.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	5. Proposal on the convening of the 2023 Annual Shareholders' Meeting. (The date of Annual Shareholders' Meeting was at 2PM on 26 th June 2023)	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	6. The Company's proposal to accept the agendas submitted by shareholders that would be discussed at the 2023 Annual Shareholders' Meeting.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.

Date	Proposal	Result of resolution
	7. Proposal on the Company's loaning of funds to the subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously. 【 Approved the resolution made by the Audit Committee meetings. 】
	8. Proposal of the issuance of 2022 "Statement on the Internal Control System" by the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	9. Evaluation of the independence and suitability of the CPA for the year 2023 of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	10. Proposal on the pre-approval of non-assurance services provided by the CPA, its firms, and associate firms to the Company and its subsidiaries.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	11. Proposal on the amendment to the "Procedures of Rewards for Employee Performance" of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	12. Proposal on the amendment to the "Procedures of Salaries to Managerial Officials" of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, was approved as per the resolution made by the Remuneration Committee that the Company shall further discuss before the next submission.
	13. Proposal on the salary adjustment and item adjustment of salary structure for managerial officials.	The matter was put by the Chair before all directors and independent directors present at the meeting, and was approved as per the resolution made by the Remuneration Committee. 1. The salary structure items for managerial officials are reserved for resolution. 2. The salary adjustment of 2 managerial officials put forward at this meeting was approved unanimously.
	14. In order to meet the operational funding requirements, the company plans to apply for a renewal with the original financial institution.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
2023/5/12	1. The Q1 Consolidated Financial Statement of 2023.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	2. Proposal of transferring overdue accounts receivable of the Company to other accounts receivable.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	3. Proposal of the Company's making of endorsement and guarantee for the subsidiary "Jiujiang Deyu Textile Technologies Co., Ltd."	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	4. Proposal on the Company's participation in the cash capital increase of "Utex Innovation Co., Ltd."	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	5. Proposal on the fundraising by "Jiujiang Deyu Textile Technologies Co., Ltd." to the Company	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	6. Proposal on the distribution of the 2023 Dragon Boat Festival (Mid-year) performance bonus to managerial officials.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	7. Proposal on the amendment to the "Procedures of Salaries to Managerial Officials" of the Company.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
2023/6/26	1. Proposed to apply financing for the subsidiary of the Company (Honmyue Textile (Zhejiang) Co., Ltd), and a letter of support was issued to Mega International Commercial Bank.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	2. In order to meet the operational funding requirements, the company plans to apply for a renewal and sign a financing facility with the original financial institution.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
2023/8/11	1. The Q2 Consolidated Financial Statement of 2023.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.

Date	Proposal	Result of resolution
	2. The Company's overdue accounts receivable as of June 30, 2023 are not recognized under Nature of Loaning of Funds.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	3. Proposal on the appointment remuneration of CPA for the year 2023.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	4. Proposal on the profit distribution in the form of cash dividends for the year 2022 and the drafting of the ex-dividend date and the date of distribution of cash dividends.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	5. Proposal on the adjustment of suspension period for conversions and converting prices of the Honmyue second domestic unsecured convertible corporate bonds. (For the adjustment of converting prices of the second domestic unsecured convertible corporate bonds, it is proposed that the chairman is authorized to handle with full authority.)	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	6. Proposal on the remuneration distribution to Directors for the year 2022.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	7. Proposal on the remuneration distribution to employees for managerial officials for the year 2022.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously. 【The related parties concerning this proposal temporarily withdrew from the meeting and did not participate in the voting.】
	8. Proposal on the position setup of "Chief Information Security."	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	9. In order to meet the operational funding requirements, the company plans to apply for a renewal and sign a financing facility with the original financial institution.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
	2023/11/8	1. The Q3 Consolidated Financial Statement of 2023.	The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
2. The Company's overdue accounts receivable as of September 30, 2023 are not recognized under Nature of Loaning of Funds.		The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
3. Proposal on the Company's direct investment increase to the subsidiary in China, "Jiujiang Deyu Textile Technologies Co., Ltd."		The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
4. Proposal for the 2024 internal audit plan.		The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
5. Proposal on the stipulation of "Rules Governing Financial and Business Matters Between Related Parties."		The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.
6. In order to meet the operational funding requirements, the company plans to apply for a renewal and sign a financing facility with the original financial institution.		The matter was put by the Chair before all directors and independent directors present at the meeting, where no objection was voiced, and was approved unanimously.

(12) **In the most recent fiscal year and as of the date of publication of the Annual Report, if there is any director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, with a record or written statement, its major contents shall be disclosed: None**

(13) **A summary of resignations and dismissals, during the most recent fiscal year and as of the date of publication of the Annual Report, of the company's Chairman, General Manager, Head of Accounting, Head of Finance, Internal Auditor, Head of Corporate Governance and Head of Research and Development: None**

3.5 Information regarding the company's audit fee paid to the CPA

(1) Information regarding the company's audit fee paid to the CPA

Unit: NTD Thousand

Name of accounting firm	Name of CPA	Duration of audit	Audit fee	Non-audit fee (Note)	Total	Remark
PwC Taiwan	Hong Shu-Hua (洪淑華) Wang Yu-Juan (王玉娟)	2023.01.01~ 2023.12.31	2,850	804	3,654	

Note: Business travel and transportation expenses, verification fees of transfer pricing, and tax advisory fees

(2) If there is a change in the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, the audit fees before and after the change, as well as the reasons, shall be disclosed: None

(3) If the audit fee is reduced by more than 10% compared to the previous year, the amount of the audit fee reduced, its proportion, and the reasons for the reduction shall be disclosed: None

3.6 Replacement of CPA

(1) Regarding the former CPA

Replacement date	Since the Q1 Financial Statement of 2022		
Replacement reasons and explanation	Due to internal working adjustments of PwC Taiwan, accountants Liu Mei-Lan (劉美蘭) and Wang Yu-Juan (王玉娟) are changed to accountants Hong Shu-Hua (洪淑華) and Wang Yu-Juan (王玉娟)		
Describe whether the company terminated or the CPA terminated or did not accept the appointment	Parties	CPA	The company
	Status		
	Voluntary termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other opinions (except for unqualified opinions) in the audit reports within the last two years and their reasons	The Financial Statements of 2022 and 2023 were all issued with unqualified opinions		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	√	
	Explanation		
Other matters to disclosure	None		

(2) Regarding the succeeding CPA

Name of accounting firm	PwC Taiwan
Name of CPA	Accountant Hong Shu-Hua (洪淑華) and Wang Yu-Juan (王玉娟)
Date of appointment	Since the Q1 Financial Statement of 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	N/A
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) Former CPA's response letter regarding matters in Article 10, Subparagraph 6, Items 1 and 2-3 of these regulations: None

3.7 Employment of the company's chairman, general manager, or managerial officials responsible for finance or accounting by the auditing CPA firm or its affiliated enterprises in the most recent fiscal year: None

3.8 Particulars about changes in shareholding and equity pledge of directors, managerial officials, and shareholders holding more than 10% of the company's shares in the past year and as of the date of publication of the Annual Report

Title	Name	2023		the fiscal year as of 28th April	
		Increment (Reduction) in shareholding	Increment (Reduction) in equity pledge	Increment (Reduction) in shareholding	Increment (Reduction) in equity pledge
Chairman	Ye Ming-Zhou (葉明洲)	25,000	0	8,000	0
Deputy Chairman	Chen Jin-Feng (陳金鳳)	308,000	0	9,000	0
Director General Manager	Guo Zheng-Pei (郭正沛)	25,000	0	8,000	0
Director	Ye Jun-Lin (葉俊麟)	19,000	0	7,000	0
Director	Lai Ming-Yi (賴明毅)	0	0	0	0
Director	Cai Zhen-Hui (蔡振輝)	0	0	0	0
Director	Hsu Ren-Xing (許仁興)	0	0	0	0
Director	Wang Mao-Lin (王茂林)	0	0	0	0
Independent Director	Lin Hong-Zhao (林宏昭)	0	0	0	0
Independent Director	Hsiao Chen-Chi (蕭珍琪)	0	0	0	0
Independent Director	Zhu Xing-Hua (朱興華)	0	0	0	0
Executive Deputy General Manager of the Business Department	Hong Jin-Chang (洪錦昌)	38,000	0	15,000	0
Deputy General Manager	Ye Bo-Yu (葉博宇)	19,000	0	10,000	0
Associate of the Department of Production	Tsai You-Dian (蔡佑典)	24,000	0	6,000	0
Associate of the Business Department	Pan Cai-Juan (潘彩娟)	19,000	0	7,000	0
Manager of Management and Administration Center, General Manager's Office Head of Corporate Governance	Zhuo Su-Qing (卓素卿)	20,000	0	6,000	0
Manager of Information Management Center, General Manager's Office	Chen Shao-Rui (陳紹睿)	16,000	0	5,000	0
Manager of the Department of Finance Head of Accounting	Pang Li-Zhe (潘立哲)	19,000	0	6,000	0
Manager of the Business Department	Zhang Pei-Hong (張培宏)	21,000	0	7,000	0
Manager of the Business Department	Hsu Wei-Fang (徐為芳)	18,000	0	6,000	0
Manager of the Department of Research and Technology	Guo Yan-Hong (郭彥宏)	19,000	0	7,000	0
Head of Finance	Xie Hui-Na (謝惠娜)	15,000	0	6,000	0

Note 1: The company has no shareholders with more than 10% of the total shares of the company yet

Note 2: The aforementioned counterparties who are involved in the change of shareholding are not interested parties.

3.9 Relationship Information on the top ten shareholders who are mutually interested parties, spouses, or relatives within two degrees of kinship

28th April 2024

Name	Current shareholding		Spouse's/minor's shareholding		Shareholding by nominee arrangement		Name and relationship between the top ten shareholders who are mutually interested parties, spouses, or relatives within two degrees of kinship		Remark
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	Name	Relationship	
Zheng Hong Investments Co., Ltd Representative: Ye Min-Chao (葉閔超)	10,847,805 4,487,850	8.35 3.45	0	0	0	0	Ye Min-Chao (葉閔超) Ye Zheng-Hua (葉政華)	Chairman Supervisor	
Ye Jun-Lin (葉俊麟)	6,334,088	4.88	0	0	0	0	Chen Jin-Feng (陳金鳳) Ye Bo-Yu (葉博宇) Ye Rui-Ke (葉瑞克) Po Yu Invest (Share)	FDR SDR SDR Director	
Chen Jin-Feng (陳金鳳)	5,946,080	4.58	0	0	0	0	Po Yu Invest (Share) Ye Jun-Lin (葉俊麟) Ye Bo-Yu (葉博宇) Ye Rui-Ke (葉瑞克)	Director FDR FDR FDR	
Ye Bo-Yu (葉博宇)	5,754,132	4.43	1,798,507	1.38	0	0	Chen Jin-Feng (陳金鳳) Ye Jun-Lin (葉俊麟) Ye Rui-Ke (葉瑞克) Po Yu Invest (Share)	FDR SDR SDR Director	
Jing Wei Investment Co. Ltd Representative: Ye Zong Gang (葉宗綱)	5,566,726 0	4.29 0	0	0	0	0	None	None	
Po Yu Invest Co., Ltd. Representative: Chen Jin-Feng (陳金鳳)	5,148,351 5,946,080	3.96 4.58	0	0	0	0	Chen Jin-Feng (陳金鳳) Ye Jun-Lin (葉俊麟) Ye Bo-Yu (葉博宇)	Chairman Director Director	
Ye Min-Chao (葉閔超)	4,487,850	3.45	0	0	0	0	Ye Ming-Zhou (葉明洲) Ye Zheng-Hua (葉政華) Ye Zong Gang (葉宗綱)	FDR SDR SDR	
Ye Ming-Zhou (葉明洲)	4,322,421	3.33	0	0	0	0	Ye Min-Chao (葉閔超) Ye Zheng-Hua (葉政華) Ye Zong Gang (葉宗綱)	FDR FDR FDR	
Ye Rui-Ke (葉瑞克)	3,373,104	2.60	0	0	0	0	Chen Jin-Feng (陳金鳳) Ye Jun-Lin (葉俊麟) Ye Bo-Yu (葉博宇)	FDR SDR SDR	
Ye Zheng-Hua (葉政華)	2,641,792	2.03	0	0	0	0	Zheng Hong Investments (Shares) Ye Ming-Zhou (葉明洲) Ye Min-Chao (葉閔超) Ye Zong-Gang (葉宗綱)	Supervisor FDR SDR SDR	

3.10 The total number of shares and total equity stake held in any single invested business by the company, its directors, managerial officials, and any companies controlled either directly or indirectly by the company

31st December 2023

Invested Business (Note)	Investment by the company		Investment by directors, supervisors, managerial officials, or any companies controlled either directly or indirectly by the company		Comprehensive investment	
	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio
HONGYU HOLDINGS L.L.C	N/A	100.00%	0	0	N/A	100.00%
Honmyue Textile (Zhejiang) Co.,Ltd	N/A	100.00%	0	0	N/A	100.00%
Jiujiang DeYu Textile Technologies Co., Ltd.	N/A	100.00%	0	0	N/A	100.00%
Wen Fa Comprehensive Development Co., Ltd.	N/A	100.00%	0	0	N/A	100.00%
Nuwa Enterprise Co., Ltd.	N/A	N/A	2,800,000	70.00%	2,800,000	70.00%
Utex Innovation Co., Ltd.	10,800,000	90.00%	0	0	10,800,000	90.00%
Jiujiang Hongzhi Textile Technologies Co., Ltd.	N/A	N/A	N/A	70.00%	N/A	70.00%

Note: Investments accounted for using the equity method by the company

4. Capital Overview

4.1 Capital and shares

(1) Source of capital stock

1. Formation process of capital stock

31st March 2024

Year and month	Issue price (Dollar/Share)	Authorized capital		Paid-in capital		Remarks		
		No. of shares (Share)	Amount (NTD)	No. of shares (Share)	Amount (NTD)	Source of capital stock	Capital increased by assets other than cash	Others
1970.09	10,000	300	3,000,000	300	3,000,000	Cash	None	None
1985.03	10,000	2,000	20,000,000	2,000	20,000,000	Cash capital increase	None	None
1989.11	10	6,000,000	60,000,000	6,000,000	60,000,000	Cash capital increase	None	None
1991.11	10	12,000,000	120,000,000	12,000,000	120,000,000	Cash capital increase of NTD 40 million, capitalization of retained earnings of NTD 20 million	None	None
1994.09	10	18,000,000	180,000,000	18,000,000	180,000,000	Cash capital increase of NTD 60 million	None	None
1997.10	10	80,000,000	800,000,000	38,000,000	380,000,000	Cash capital increase of NTD 110 million, capitalization of retained earnings NTD 63 million Capitalization of capital surplus of NTD 27 million Approved by Letter No. 51871 of Taiwan Financial Supervisory Commission (Type One), dated 7th July 1997	None	None
1998.08	10	80,000,000	800,000,000	42,940,000	429,400,000	Capitalization of retained earnings of NTD 38 million, capitalization of capital surplus of NTD 11.4 million Approved by Letter No. 55972 of Taiwan Financial Supervisory Commission (Type One), dated 29th June 1998	None	None
1999.08	10	80,000,000	800,000,000	48,522,200	485,222,000	Capitalization of retained earnings of NTD 42,940,000, capitalization of capital surplus of NTD 12,882,000 Approved by Letter No. 56519 of Taiwan Financial Supervisory Commission (Type One), dated 22nd June 1999	None	None
2000.09	10	80,000,000	800,000,000	60,886,212	608,862,120	Capitalization of retained earnings of NTD 106,657,350, capitalization of capital surplus of NTD 16,982,770 Approved by Letter No. 58476 of Taiwan Financial Supervisory Commission (Type One), dated 18th July 2000	None	None
2001.10	10	80,000,000	800,000,000	73,063,455	730,634,550	Capitalization of retained earnings of NTD 118,728,120, capitalization of capital surplus of NTD 3,044,310 Approved by Letter No. 144127 of Taiwan Financial Supervisory Commission (Type One), dated 17th July 2001	None	None
2002.08	10	81,831,070	818,310,700	81,831,070	818,310,700	Capitalization of retained earnings of NTD 87,676,150 Approved by Letter No. 0910137456 of Taiwan Financial Supervisory Commission (Type One), dated 9th July 2002	None	None
2003.05	10	141,831,070	1,418,310,700	96,831,070	968,310,700	Cash capital increase of NTD 150 million Approved for processing by Letter No. 0920118578 of Taiwan Financial Supervisory Commission (Type One), dated 19th May 2003	None	None

Year and month	Issue price (Dollar/Share)	Authorized capital		Paid-in capital		Remarks		
		No. of shares (Share)	Amount (NTD)	No. of shares (Share)	Amount (NTD)	Source of capital stock	Capital increased by assets other than cash	Others
2003.09	10	141,831,070	1,418,310,700	103,609,245	1,036,092,450	Capitalization of retained earnings of NTD 67,781,750 Approved by Letter No. 0920143501 of Taiwan Financial Supervisory Commission (Type One), dated 15th September 2003	None	None
2004.03	12.3	141,831,070	1,418,310,700	105,162,935	1,051,629,350	Conversion of the First Honmyue convertible bonds into common shares of NTD 15,536,900 Approved by Business Permit No. 09301033040, dated 9th March 2004	None	None
2004.05	12.3	141,831,070	1,418,310,700	106,766,212	1,067,662,120	Conversion of the First Honmyue convertible bonds into common shares of NTD 16,032,770 Approved by Business Permit No. 09301075500, dated 3rd May 2004	None	None
2004.07	10	183,831,070	1,838,310,700	106,766,212	1,067,662,120	Change of total authorized capital to NTD 1,838,310,700 through the amendment of Articles of Incorporation Approved for processing by the Ministry of Economic Affairs in 1993 with Business Permit No. 09301121290	None	None
2004.08	12.4	183,831,070	1,838,310,700	106,956,294	1,069,562,940	Conversion of the First Honmyue convertible bonds into common shares of NTD 1,900,820 Approved by Business Permit No. 09301139710, dated August 2004	None	None
2004.09	10	183,831,070	1,838,310,700	111,192,893	1,111,928,930	Capitalization of retained earnings of NTD 42,365,990 Approved by Business Permit No. 09301139710, dated September 2004	None	None
2004.10	12.4	183,831,070	1,838,310,700	111,243,224	1,112,432,240	Conversion of the First Honmyue convertible bonds into common shares of NTD 503,310 Approved by Business Permit No. 09301202500, dated October 2004	None	None
2005.01	11.6	183,831,070	1,838,310,700	111,990,971	1,119,909,710	Conversion of the First Honmyue convertible bonds into common shares of NTD 7,477,470 Approved by Business Permit No. 09401016450, dated January 2005	None	None
2005.05	11.1	183,831,070	1,838,310,700	112,450,430	1,124,504,300	Conversion of the First Honmyue convertible bonds into common shares of NTD 4,594,590 Approved by Business Permit No. 09401074050, dated May 2005	None	None
2005.07	10	183,831,070	1,838,310,700	121,444,302	1,214,443,020	Capitalization of retained earnings of NTD 89,938,720 Approved by Letter No. 0940129600 of Taiwan Financial Supervisory Commission (Type One), dated July 2005.	None	None
2006.08	7.29	183,831,070	1,838,310,700	132,390,788	1,323,907,880	Conversion of the First Honmyue convertible bonds into common shares of NTD 109,464,860 Approved by Business Permit No. 09501166150, dated August 2006	None	Issued at a discount
2006.10	8.3	183,831,070	1,838,310,700	132,571,510	1,325,715,100	Conversion of the First Honmyue convertible bonds into common shares of NTD 1,807,220 Approved by Business Permit No. 09501221720, dated October 2006	None	Issued at a discount
2008.10	10	183,831,070	1,838,310,700	137,874,371	1,378,743,710	Capitalization of retained earnings of NTD 53,028,610 Approved by Business Permit No. 09701254920, dated October 2008	None	None
2013.09	10	183,831,070	1,838,310,700	133,787,969	1,337,879,690	Cancellation of treasury stocks of NTD 40,864,020 Approved by Business Permit No. 10201180180, dated 4th September 2013	None	None
2014.9	10	183,831,070	1,838,310,700	129,896,969	1,298,969,690	Cancellation of treasury stocks of NTD 38,910,000 Approved by Business Permit No. 10301185980, dated 9th September 2014	None	None

2. Type of stock

28th April 2024
Unit: Share

Type of stock	Authorized capital				Remarks
	Shares outstanding		Un-issued shares	Total	
	Listed	Unlisted			
Registered common shares	129,896,969	0	53,934,101	183,831,070	

(2) Shareholders' structure

28th April 2024

Shareholders' structure Quantity	Financial institution	From Mainland China	Other juridical person	Foreign institution and foreigners	Individual	Total
Number of people	1	1	130	27	18,173	18,332
Shares held	5,000	1	26,598,077	764,333	102,529,558	129,896,969
Shareholding percentage (%)	0%	0%	20.48%	0.59%	78.93%	100.00%

(3) Shareholding distribution status

1. Common shares

28th April 2024

Class of shareholding	No. of shareholders	Shares held	Shareholding ratio (%)
1 - 999	10,603	1,159,876	0.89%
1,000 - 5,000	5,766	12,005,179	9.24%
5,001 - 10,000	940	7,691,829	5.92%
10,001 -15,000	268	3,492,398	2.69%
15,001 -20,000	200	3,723,651	2.87%
20,001 - 30,000	189	4,889,118	3.76%
30,001 - 50,000	160	6,546,195	5.04%
50,001 - 100,000	100	7,288,241	5.61%
100,001 - 200,000	58	8,068,683	6.21%
200,001 - 400,000	20	6,046,821	4.66%
400,001 - 600,000	8	4,033,524	3.11%
600,001 - 800,000	3	1,951,042	1.50%
800,001 - 1,000,000	1	1,000,000	0.77%
1,000,001 or above	16	62,000,412	47.73%
Total	18,332	129,896,969	100.00%

2. Preferred stocks: None

(4) Major list of shareholders:28th April 2024

Name of major shareholders \ Shareholding	Shares held	Shareholding percentage
Zheng Hong Investments Co., Ltd	10,847,805	8.35%
Ye Jun-Lin (葉俊麟)	6,334,088	4.88%
Chen Jin-Feng (陳金鳳)	5,946,080	4.58%
Ye Bo-Yu (葉博宇)	5,754,132	4.43%
Jing Wei Investment Co. Ltd.	5,566,726	4.29%
Po Yu Invest Co., Ltd.	5,148,351	3.96%
Ye Min-Chao (葉閔超)	4,487,850	3.45%
Ye Ming-Zhou (葉明洲)	4,322,421	3.33%
Ye Rui-Ke (葉瑞克)	3,373,104	2.60%
Ye Zheng-Hua (葉政華)	2,641,792	2.03%

(5) Market value per share, net value, earnings, and dividend data in the past two fiscal years

Item		Year	2023	2022	As of 31 st March 2024
Market value per share	Highest		13.55	16.20	13.45
	Lowest		11.05	10.35	11.30
	Average		12.11	12.94	(Note)
Net value per	Before distribution		15.43	16.28	16.24
	After distribution		15.43	15.88	(Note)
Earnings per share	Weighted average number of shares (Thousand shares)		129,897	129,897	129,897
	Earnings per share		(0.34)	0.60	0.62
Dividend per share	Cash dividends		0	0.40	(Note)
	issuance of bonus shares	0	0	0	(Note)
		0	0	0	(Note)
	Accumulated unpaid dividends		0	0	(Note)
Analysis on investment return	Price-to-Earning ratio		(11.77)	21.57	(Note)
	Price-to-Dividend ratio		0	32.35	(Note)
	Cash dividend yield rate		0	3.09%	(Note)

Price-to-Earning ratio = Average market price per share of the fiscal year / Earnings per share

Price-to-Dividend ratio = Average market price per share of the fiscal year / Cash dividends per share

Cash dividend yield rate = Cash dividends per share / Average market price per share of the fiscal year

Note: The financial summary of Q1, 2024 is adopted, thus becoming not applicable.

(6) Dividend policy and implementation status

1. Dividend policy formulated by the Articles of Incorporation

The dividend policy of the company aligns with the current and future development plans, and in consideration of different factors such as the investment environment, capital requirements, domestic and foreign competitive conditions, and the shareholders' interests, shareholders' dividends may be distributed in cash or in shares, with cash dividends not less than 10% of the total dividends. The Board of Directors is authorized to decide the actual rate of distribution according to the capital condition and budgets of the company.

2. Proposed distribution of dividends by the current Shareholders' Meeting: None

3. Explanation of expected significant changes in the dividend policy: None

(7) The impact on the business performance of the company and earnings per share by the issuance of bonus shares proposed by the current Shareholders' Meeting: None

(8) Remuneration of employees and directors:

1. The percentage or range of remuneration of employees and directors stated in the Articles of Corporation:

The Articles of Corporation of the company states that: if there are profits in this fiscal year, a ratio of not less than 2% of the profits shall be appropriated as employees' remunerations, and they will be distributed in stocks or cash by the resolution of the Board of Directors, and the recipients include employees from subsidiaries who fulfill certain criteria. And for the aforementioned profits of the company, a ratio of not more than 5% shall be appropriated as directors' remunerations by the resolution of the Board of Directors. Distribution of employee and director remunerations shall be submitted for report at the Shareholders' Meeting. However, if the company has accumulated losses, the profits shall be retained to make up for the losses first, and the remainder allocated as employee and director remunerations afterward according to the ratio of the preceding paragraph.

2. The basis for estimating the amount of current employee and director remunerations, for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment if there are discrepancies between the actual distributed amount and the estimated figure:

(1). The basis for estimating the amount of current employee and director remunerations:

There was no profit in the year 2023; therefore, the Company did not distribute remunerations to employees and directors in accordance with the Articles of Incorporation.

(2). The basis for calculating the number of shares to be distributed as employee remuneration: N/A

(3). The accounting treatment if there are discrepancies between the actual distributed amount and the estimated figure:

After the end of the fiscal year, when there are changes in the distribution amount approved by the Board of Directors, the original provisioned annual expenses are adjusted accordingly. If there are still changes in the amount at the date of the shareholders' meeting, they will be handled based on the changes in accounting estimates, and the adjustments for the year will be entered into the accounts at the shareholders' meeting resolution.

3. The status of remuneration distribution approved by the Board of Directors:

(1). If there are discrepancies in the amount of employee and director remunerations distributed in cash or stocks and the estimated amount of the recognized expenses of the fiscal year, the discrepancy, its cause, and the status of treatment shall be disclosed:

Item		2023		Explanation on the discrepancy
		Estimated amount of the recognized expenses	Distribution of remunerations approved by the Board of Directors	
Director remuneration		NTD 0	NTD 0	N/A
Employee remuneration	Cash	NTD 0	NTD 0	N/A
	Stocks	None	None	

(2). The number of shares to be distributed as employee remuneration and its ratio to the after-tax net profit of the current Individual Financial Statement and the total amount of employee remuneration: N/A

4. The actual status of the distribution of employee, director, and supervisor remunerations in the previous fiscal year, and if this amount has discrepancies to the remunerations of recognized employees, directors, and supervisors, the discrepancy, its cause, and the status of treatment shall be explained:

Item	2022		Explanation on the discrepancy
	Estimated amount of the recognized expenses	Proposed distribution amount by the Board of Directors	
Director remunerations	NT\$3,348,930	NT\$3,348,930	N/A
Employee remuneration	Cash	NT\$3,348,930	N/A
	Stocks	None	

(9) The repurchase of company shares by the company: None

4.2 Status of Corporate Bonds

Types of corporate bonds	The second domestic unsecured convertible bonds
Issue (Process) date	26th January 2022
Denomination	NTD 100,000
Venue of Issuance and transaction	Taipei Exchange
Issue price	Issued at 109.01% of the denomination
Total price	NTD 300 million
Coupon rate	Coupon rate 0%
Tenor	3 years Maturity: 26th January 2025
Guarantee agency	N/A
Consignee	Taishin International Bank Co., Ltd.
Underwriting institution	Mega Securities Co., Ltd.
Certified Lawyer	Lawyer Chiu Ya-Wen (邱雅文) from Handsome Attorneys-at-Law
Certified Public Accountant	Accountant Liu Mei-Lan (劉美蘭), Wang Yu-Juan(王玉娟) from PwC Taiwan
Method of repayment	With the exception of holders of the convertible corporate bonds who converts them into common shares of the company in accordance with Article 10 of this regulation, or those redeemed in advance by the company in accordance with Article 18 of this regulation, or repurchase of write-off bonds from Taipei Exchange, the company shall, within ten business days after the maturity date of the convertible corporate bonds, repay the bondholders of the previously mentioned bonds with a one-time cash repayment according to the denomination of the bonds, plus an interest compensation. (The interest compensation at maturity is 1.5075% of the denomination, with an actual yield of 0.5%.)
Outstanding principle	NTD 300 million
Terms of redemption or advance repayments	Please refer to the procedure of issuance and conversion of the second domestic unsecured convertible bonds of the company
Restrictive clause	Please refer to the procedure of issuance and conversion of the second domestic unsecured convertible bonds of the company

Name of credit rating agency, rating date, rating of corporate bonds		N/A
Other rights attached	As of the date of the publication of the Annual Report, the amount of converted (exchanged or subscribed) common shares, global depository receipts, or other securities	Not converted yet
	Issuance and conversion (exchange or subscription) method	Please refer to the procedure of issuance and conversion of the second domestic unsecured convertible bonds of the company
Possible dilution of shares and impact on existing shareholders' equity from the issuance and conversion, exchange or subscription method, and issuing condition		Assuming under the current conversion price, if all outstanding corporate bonds are converted to common shares, about 20,270,270 shares of common shares of the company will be converted. The company currently has 129,896,969 outstanding shares, and in addition to the number of convertible shares, the impact on shareholders' equity is still very limited.
Name of the entrusted custodian institution for the exchange target		None

Note: Since 13th September 2023, the conversion price has been adjusted from NTD 15.3 to NTD 14.8.

4.3 Status of Preferred Stock: None

4.4 Status of Global Depository Receipts: None

4.5 Status of Employee Stock Option: None

4.6 Status on Employee Restricted Stocks: None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisition of Other Companies' Shares: None

4.8 Implementation of the Funds Utilization Plan:

The company has raised funds through the issuance of domestic corporate bonds, and as of the end of Q1 of 2024, the implementation of the Funds Utilization Plan is listed in the following table:

Type of corporate bonds	The second domestic unsecured convertible bonds
Issue date	26th January 2022
Purpose of funds utilization	Purchasing machinery and equipment and repayment of bank loans
Status on the change of plan	No change
Fundraising	Actual receipts of NTD 327,025,200
Status of implementation	Purchasing machinery and equipment: Continuously executing according to the progress of demands Repayment of bank loans: Completed in Q1 of 2022 according to the original plan.

5. Operational Highlights

5.1 Business Activities

(1) Business Scope

1. Main areas of business operations

1. C302010 Weaving of Textiles
2. C301010 Spinning of Yarn
3. C399990 Other Textile and Products Manufacturing
4. F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
5. F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
6. C305010 Printing, Dyeing, and Finishing
7. C802200 Coating, Paint, Dye and Pigment Manufacturing
8. C805050 Industrial Plastic Products Manufacturing
9. C805070 Reinforced Plastic Products Manufacturing
10. C805990 Other Plastic Products Manufacturing
11. C805010 Manufacture of Plastic Sheets, Pipes and Tubes
12. C805020 Manufacture of Plastic Films and Bags
13. C805030 Plastic Daily Necessities Manufacturing
14. F107190 Wholesale of Plastic Films and Bags
15. F207190 Retail Sale of Plastic Films and Bags
16. F401010 International trading
17. CF01011 Retail sale of Medical Equipment
18. JE01010 Rental and Leasing
19. JA03010 Laundry
20. H703100 Real Estate Leasing
21. F108031 Wholesale of Drugs, Medical Goods
22. F208031 Retail sale of Medical Equipments
23. C303010 Manufacture of Non-Woven Fabrics
24. C306010 Wearing Apparel
25. C307010 Clothing Accessories
26. CJ01010 Hat Manufacturing
27. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution

The company's product categories in 2023 and their revenue distribution are as follows:

Unit: NTD Thousand

Production item	Operating revenue	Revenue distribution
Long-fiber fabrics	2,441,750	90.92%
Short-fiber fabrics	67,568	2.51%
Raw yarn	12,767	0.48%
Medical textiles	71,977	2.68%
Labor services	116,397	4.33%
Sales returns and allowance	(24,733)	(0.92%)
Total	2,685,726	100.00%

3. Main product items of the company

Product types		Important usage
Short-fiber fabrics	Industrial fabrics	fabric for leather goods such as leather bags and shoes
	fabric for clothing	Shirts, materials for dresses and trousers, casual wear
Long-fiber fabrics	Industrial fabrics	Product application: Different types of bags (exterior fabric and lining fabric), baby strollers, tea bags, horse blankets, shoe materials, running belts, and base fabric. Product characteristics: Abrasion-resistant, lightweight, moisture-permeable, waterproof, odor-elimination and anti-mold
	Cloth for garments	Product application: Mainly windbreakers and fabric for jackets, surgical gowns, and cleanroom suits. Product characteristics: UV resistance, crinked, water repellent, waterproof treatment, anti-static
	Fabrics for home furnishing	Product application: 1. Indoor fabric: Product application: Tablecloths, shower curtains, curtains, sofas, pillows, placemats, indoor sunshades (roller blinds). 2. Outdoor fabric: Product application: Outdoor seat cushions, lounge chairs, sunshades, rocking chairs, parasols, tents, hurricane curtains, yacht covers, indoor furniture, outdoor leisure, and automotive applications. Product characteristics: High colorfastness to sunlight, UV resistance, flame resistance, anti-mold, moisture permeability, waterproof breathable, etc. 等
	Medical fabrics	Product application: Surgical gowns, surgical drapes and accessories, isolation gowns, patient gowns, bed sheets, bedding, restraint belts, and other medical garments. Product characteristics: Antistatic, water-resistant, washable, chlorine-resistant, antibacterial, flame retardant, and passed on biocompatibility testing.
Raw yarn		Raw materials for long and short fiber fabrics
Contract manufacturing		Outsourcing on the work of beam warping and weaving of long and short fiber fabrics to other industrial peers
Others		Transaction of materials

(2) Industry Overview

1. Current status and development of the industry

According to the import and export trade statistics from the customs of Taiwan, the total value of textile exports in 2023 was USD 6.615 billion, a decline of 25%. The total value of imports was USD 3.652 billion, a decline of 7%. The trade surplus was USD 2.963 billion, a decrease of USD 1.93 billion or 39% compared to the same period in 2022.

In the analysis of the export value, the main export items were fabrics (71%), followed by yarn (13%), fibers (6%), garments and apparel (5%), and miscellaneous textile products (5%). All five major export items decreased, with fabrics declined by 26%, fibers declined by 11%, yarn declined by 25%, garments and apparel declined by 25%, and miscellaneous textile products declined by 28%. In the analysis of the import value, the main import items were garments and apparel (60%), which grew by 4%. Fabrics (13%) declined by 21%, followed by miscellaneous textile products (11%) with a decline of 9%, yarn (8%) with a decline of 37%, and fibers (8%) with a decline of 12%.

In the analysis of the export destinations, Vietnam was the largest export market for our textile products, followed by mainland China, the United States, Indonesia, and Cambodia, together accounting for 59% of exports.

Table: Analysis of the export items of Taiwan textiles in 2023

Product	Export value (100 million USD)	Ratio (%)	Compared to the same period (%)	Export volume (10,000 metric tons)	Compared to the same period (%)	Unit price (USD/kg)	Compared to the same period (%)
Fibers	3.87	6	-11	30.23	-7	1.28	-5
Yarns	8.71	13	-25	28.85	-21	3.02	-5
Fabrics	47.05	71	-26	50.76	-22	9.27	-5
Garments and apparel	3.25	5	-25	1.39	-27	23.45	3
Miscellaneous textile products	3.27	5	-28	6.03	-21	5.42	-10
Total	66.15	100	-25	117.26	-18	5.64	-8

Source of information: Import and export statistics of the Customs

Impacted by the inflation and raising of interest rates, global business remains stagnant. With the drastic decline of export goods of traditional industries, shrinking terminal demands, tightening of monetary policies, and geopolitical conflicts, merchandising trade mostly shows recession with double digits. On top of the technological disputes between the U.S. and China, which have added uncertainty, the international economic outlook remains conservative and the global consumption demands stays ailing.

Since 2023, our textile exports have significantly declined due to the inventory adjustment by branding clients. Despite of the fact that Paris Olympics will help boost the textile business and new orders are returning, our textiles and yarns are still impeded by low-priced orders in China and the lack of large-scale purchases from the western countries, of which the economy is still weak. The textile industry still views the economy in 2024 in a conservative way. The Company will closely monitor the subsequent development.

2. The relationship between upstream, midstream, and downstream in the industry.

The textile industry in Taiwan has shifted from importing raw materials for processing and exporting in the early days to using materials provided by petrochemical industry for the development of man-made fibers.

Supplemented by imported natural fibers such as cotton and wool, the industry created a complete production system of upper, middle, and lower streams including industries of manufacture of man-made fibers, spinning of yarn, weaving of textile, dyeing and finishing, wearing apparel, and clothing accessories.

Since the 1950s, the textile industry in Taiwan has gone through nearly 70 years of development and growth. With the expanding demands from the international market, manufacturers feverishly design new products and unceasingly renew production equipment to extend markets globally, making the textile industry the most thorough production system in the industrial structure of Taiwan. The textile products made in Taiwan are one of the primary material supplies in the global consumers' market of functional textile products.

The company primarily specializes in the production and distribution of long and short-fiber fabrics, operating as a midstream player in the textile industry. The upstream suppliers provide us with petrochemical raw materials, which are then processed into various synthetic fibers such as nylon, polyester, Rayon, and carbon fibers. Then these fibers are further spun into yarn and woven into fabric through the weaving process. In the downstream process, the fabric undergoes bleaching, dyeing, printing, coating, and finishing processes. Finally, the fabric is cut and sewn into garments or other related textile products.

The textile industry in Taiwan has developed into a well-established industry with a complete production and marketing system covering the upstream, midstream, and downstream sectors. The diagram below illustrates the industry's interconnected relationships:



資料來源：產業價值鏈資訊平台
Source: <https://ic.tpex.org.tw/index.php>

3. Product development trend and status of competition

As the awareness of global warming issues and carbon-neutral goals are rising in recent years, governments and enterprises all over the world have taken initiatives to reduce carbon. Being part of the important manufacturing, the textile industry has also been affected greatly by the wave of carbon reduction. In response to the carbon-neutral goals set by major brands, the textile industry in Taiwan, being an important supply section of the global functional textiles products, is imperative to initiate carbon reduction efforts in various aspects, such as materials and manufacturing processes in order to maintain its competitiveness in the global market.

(1). Continued growth in the scale of sustainable application markets under the global trend of net-zero and carbon reduction.

Along with the two major markets in Europe and the United States, who are poised to launch acts of carbon tax, the export-oriented textile industry in Taiwan must follow the rules and trends in the international markets. Aside from implementation of carbon reduction, we can also make good use of the existing R&D advantage on chemical fibers and calibrate the R&D direction to textile materials with special specifications for industrial use. For example, heat-resistant carbon fibers and nylon 6.6 tire cord fabrics with high tenacity are the high added value textile products that can make market segmentation.

(2). Expansion of the textile domain for industrial use with diversity and high added value.

According to the study by an international industry survey company, Market Watch Inc., the scale of global textile products for industrial use keeps on growing and is estimated to reach USD 246.1 billion by 2030. Pursuing zero pollution processing, non-toxic emissions, and recyclable products, textile products for industrial use are moving towards sustainable development such as waste recycling circulation and environmentally friendly design. The demand for medical textiles is still reflecting an upward trend in the post-pandemic era. The rising of Internet of Things and Cloud technologies accelerates the market development of industrial textile products. Overall, environmentally sustainable, medical, and smart textiles are considered the developmental mainstream.

Facing the global trend of net-zero and carbon reduction, the textile industry in Taiwan must respond actively in terms of material selection and process improvements to implement the carbon reduction goal. It should simultaneously jump at opportunity as the industrial textile market experiences rapid growth, bring the R&D advantage on chemical fibers into full play, exploring textile materials with high added value and special specifications for industrial use, expanding the domain in environmentally friendly sustainable, medical, and smart textile to ensure its competitiveness in the global market.

(3) Status of Technologies and Research

1. In the most recent fiscal year and as of the date of publication of the Annual Report, research fees invested and techniques or products successfully developed:

Year	Amount of expenses (Thousand NTD)	Results of R&D
2023	27,964	1. Recycled fishing nets high-tenacity fabric 2. rPVB eco-friendly vinyl mesh outdoor fabric 3. Eco-Friendly Cotton-Like Mechanical Stretch fabric 4. Polyester high-tenacity eco-friendly color weave fabric 5. New high-tenacity hurricane netting fabric
2024 (January to March)	7,020	1. Recycled textile materials fabric 2. Eco-friendly solar screen fabric with single material 3. Envive eco-friendly and weather-resistant Vinyl Mesh

2. Future research and development plans:

Honmyue is committed to developing high-value products that meet market demands. Our direction of project development involves four key aspects: Environmental sustainability, safety and protection, functional comfort, and technological fashion. In response to the low-carbon transition in global industries and the goal of achieving net-zero carbon emissions in the textile industry, the Company will focus its product R&D on environmental friendliness, actively develop new environmentally friendly products that align with the concept of a circular economy, and continuously increase the proportion of development and sales of low-carbon, energy-saving, environmentally friendly, and recycled products, further contributing to the global circular and sustainable supply chain. At the same time, Honmyue dedicates itself to developing pioneering new product projects and

exploring potential textile products in application market to enhance overall product research and development effectiveness. As a key player in the international market for environmentally friendly and functional textiles, Honmyue also invests in new material research and environmentally friendly processing technologies and prioritizes low carbon, circular, and regeneration, continuously developing sustainable and innovative textiles.

Through the Sustainable Innovation Research and Development Center of the Ministry of Economic Affairs, the Company continues to upgrade R&D systems, proactively recruit and train senior R&D talents, introduce interdisciplinary integration on R&D resources in collaboration with local and international research units and consulting specialists, and perform eco-friendly material researches as well as technical optimization of low-carbon manufacturing. These include the development of composite coated fibers and mesh fabrics, functional protective textile technologies, and sustainable innovation and regenerative technologies with a simultaneous planning of new product achievements and patented technologies. Their goal is to develop more environmentally friendly and sustainable low-carbon materials and establish a forward-looking layout in the field of environmentally friendly and functional textiles. We are transforming from cooperative development to forward-looking and cutting-edge development, cultivating technical-independent R&D capabilities and matching them with brand design and development. This enables us to create high-value-added products and enhance the competitiveness of the company. Moreover, we continuously introduce international environmental verification and evaluation tools and improve the product digital platform, which assists the R&D team and clients in jointly evaluating the environmental impact of new materials during the early stages of product design and development. By expanding more product lines that fulfill environmental certification, the company's image in eco-friendly and green energy products can be enhanced and application markets of new products can be explored.

To expand the overall efficacy of product development, we plan to integrate the development resources of the product lines in Honmyue's overseas factory in China to invest in the demands and promotion of new products from customers' end. In addition, we will evaluate the functionality of product inspection and testing equipment to improve the developmental verification on new products and will plan on the introduction of laboratory accreditation operations to enhance the research and processing quality of finished fabrics. Additionally, in line with the development of new applications in the market, we will integrate the trend of textile digitization in the marketing strategy and plan on the introduction of digital tools for terminal products. By upgrading our product development and design system, we will be able to connect with the sales and promotion platforms of textiles worldwide. Honmyue continuously strives for government research and marketing project resources and plans on introducing the Textile Export Promotion Project of International Trade Administration to push for the development and business expansion of key markets and new clients for the enhancement of Honmyue's marketing competitiveness. Honmyue's research and development plan and actions demonstrate its commitment to environmental protection and sustainable development. The company aims to establish independent R&D capabilities and invest in advanced product design and development to create high-value-added products and further enhance the company's competitiveness.

3. Research and development plans:

3.1 Industrial fabrics for bags

Fabric series	Explanation
(1) Recycled Polyester High-Tenacity Eco-Friendly Dyed Yarn Series.	The project aims to develop a series of new fabric varieties from the application of recycled polyester core spun eco-friendly high-strength colored yarn. It has the property of high color fastness and is able to reduce water resource consumption. This new fabric is suitable for the development of functional bags and outdoor equipment.
(2) Fishing-Net-Recycled Nylon High-Tenacity Bag Series	The project aims to develop a series of new fabric varieties from the application of recycled fishing nets and ocean wastes to produce a high-strength fiber. After eco-friendly post-processing, this new fabric is suitable for the development of outdoor functional bags and outdoor equipment.
(3) Eco-Friendly Recycled Yarn New Raw Material Series	The project aims to utilize differentiated, recycled polyester and nylon long and short fiber yarns to develop a series of environmentally friendly and low-carbon fabric varieties.

(4) Eco-Friendly Post-Processing Series	The project aims to apply eco-friendly post-processing techniques such as TPEE, PET, and processing of the same material, a single-material recyclable eco-friendly fabric variety used for bags can be designed and developed.
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3.2 Fabric for clothing

Fabric series	Explanation
(1) Eco-Friendly Stretch Functional Fabric Series	The project aims to utilize functional new materials from recycling and elastic fibers to develop a series of new fabric varieties which are nylon and polyester based with high-stretch and can enhance comfort and fulfill functional requirements.
(2) Eco-Friendly New Raw Material Fabric Series	The project aims to utilize new types of pre-consumer recycled materials, textile waste materials, ocean waste materials, biomasses, biodegradable materials, and ultra-fine denier fibers, combined with eco-friendly post-processing techniques, to develop environmentally friendly clothing fabrics for outdoor functional and sports leisure purposes.
(3) Eco-Friendly Solution-Dyed Yarn Fabric	The project aims to use eco-friendly solution-dyed yarn materials and incorporate eco-design trends from brand customers to develop new products for outdoor lightweight and workwear applications.

3.3 Fabrics for home furnishing

Fabric series	Explanation
(1) Eco-Friendly Lightweight Solar Screen Fabric	By utilizing environmentally friendly recycled polyester colored yarn and recycling new materials from textile waste, along with flame-retardant processing technology, and combining the wide-width processing equipment, a series of light permeable and lightweight eco-friendly sun shading fabrics is developed. These fabrics can be applied to various indoor and outdoor roller blind products.
(2) rPVB Eco-Friendly Vinyl Mesh	The project involves utilizing recycled and regenerated PVB materials in combination with eco-friendly coating yarn production processes to design and develop a series of weather-resistant, environmentally friendly high-tenacity mesh fabrics. These fabrics can be used for home decorations in an outdoor setting.
(3) New Type of High-Tenacity Hurricane Shade Fabric	The project involves the application of high-performance fiber composite coating processes and through rigorous testing and verification of its anti-tear strength, an advanced version of high-tenacity protective net fabric is designed and developed and can be applied in products for outdoor safety and protective purposes.
New Series of Eco-friendly Composite Materials	The project involves the application of eco-friendly differentiated new composite materials and the development of same-material and different-material coating yarn technologies. The goal is to move towards a recyclable process in combination with the fabric structure design. Then a series of new fabrics that respond to the demand for environmental protection is developed.

3.4 Fabrics for the new application market

Fabric series	Explanation
(1) High protection industrial fabric series	Plan to develop textiles that meet the market demand for industrial fabrics in the United States, combining high-performance fibers with functional, flame-retardant, anti-mold, and waterproof processing to enhance product protection capabilities.
(2) High-level workwear fabric series	Plan to utilize environmentally friendly and advanced materials, combined with functional processing, to develop fabrics that meet the requirements for high-level work environments, providing occupational safety and protective needs.

(4) Long and short-term business development plan

To achieve business targets, the company formulates long and short-term plans as follows:

1. Short-term business development plan

(1). Changing the product structure to increase the ratio of garment fabrics

With the rise of the middle class in developing countries, the global sports and leisure industry is booming, leading to increasing demand for sports functional fabrics year by year. The Company continues to focus on nylon Oxford and polyester industrial fabrics. It is also actively expanding into various application markets and in recent years the garment fabric development. It has developed high-density fabrics with excellent hand feel, installed wide-width new machines in 2021, gradually renewed machines for apparel use, produced, promoted, and integrated the dyeing, finishing, and diversified post-processing, and enlarging the Group's market share in garment fabrics.

(2). Integrating existing dyeing and finishing factory resources to increase the ratio of finished fabrics

Starting from 2019, after the acquisition of the dyeing and finishing business, Honmyue has

been transferring its existing fabric processing supply chain to its own integrated factory. It has also targeted potential greige customers and integrated the advantages of the group's weaving, dyeing, and finishing processes to deliver finished fabrics directly to clients. Currently, the matchup of specific fabric types and customers has been targeted. By leveraging the integration of weaving and dyeing processes within the integrated factory, the competitiveness in receiving orders is enhanced, thereby increasing the group's revenue and profit.

(3). Maximizing the utilization of production capacity and resources across both sides of the Taiwan Strait through integration

Honmyue's strategy is to maximize its profits by integrating business orders and production capacity across the Taiwan Strait. It aims to establish a cross-strait business and production platform, optimize product production according to customer demands, and allocate production to suitable facilities on both sides of the strait based on different quality and delivery requirements.

The Taiwan plant can cater to customers' unique and specialized product development needs, focusing on high-value-added fabrics. The mainland plant is planned to focus on the sale of mass-market products with price sensitivity.

In particular, the completion and inauguration of the Jiujian plant in 2023 will further enhance the integration of resources across both sides of the Taiwan Strait, enabling the company to pursue maximum sales and minimize costs, thus achieving the strategic goal of maximizing group profits.

(4). Specialized division of finished fabric team focusing on customer demands

In today's textile industry, the application areas are extensive and highly specialized, with significant differences in demand across various terminal application areas. To enhance service efficiency and cultivate expertise in the finished fabric business, the company has established professional teams based on the terminal applications markets. These teams consist of experienced personnel familiar with the market and customer models to provide customers with professional and highly effective services. Furthermore, these teams collaborate closely with the strong research and development capabilities and production strength of the group to develop satisfactory products to meet customer demands.

2. Long-term business development plan

(1). Increase the breadth and depth of existing product lines

The application of textiles is extremely diverse, and the company not only focuses on continuously cultivating existing customer products but also develops a wide range of new applications based on customer needs. Taking market demand into consideration, higher value-added products are developed with the collaboration of customers. In addition, international political and economic situations are closely monitored, as well as trade conditions in different terminal markets. Different marketing strategies are formulated for different regions and global sales channels are established by close integration of the sales and production teams.

(2). Promoting green sustainable eco-friendly products

The global textile industry is driving the trend of environmentally sustainable products and aiming for sustainability and net-zero carbon emissions as the ultimate goals.

Major brands have been declaring to promote green and sustainable strategic directions. Ten years ago, Honmyue was the pioneer in using environmentally friendly yarn made from PET bottles. In recent years, we have also invested in the development of Solution Dyed technology, which involves adding color masterbatch during the yarn extrusion process, solving the need for dyeing after weaving, and reducing water use, energy, wastewater, and gas emissions in the dyeing process, contributing to a greener supply chain.

In addition to promoting green products, Honmyue is committed to continuous process optimization for environmental protection and energy efficiency. The company has obtained various environmental certifications such as Bluesign, GRS (Global Recycled Standard), Higg index FEM (Facility Environmental Module), and GREENGUARD. These certifications have enabled the company to successfully enter the green supply chains of international brands. We actively collaborate with brand certifications and optimize our supply chain, emphasizing corporate social responsibility and striving for the sustainable development of both our company and the planet.

5.2 Market and Sales Overview

(1) Market Analysis

1. Status on material supply

In 2023, global textile industries were faced with severe challenges of material supply. The climbing price of crude oil and nylon materials led to a great increase on material costs for yarn

- in the upstream, further resulting in the soaring of production costs for textile enterprises.
2. Changes on market demand

The purchasing power of the public was abraded by the slow growth of global economy and high inflation. Consumers' demand for elastic products such as textile clothing is weak. Franchisers cut back from orders on materials in order to manage the risk of high inventory. Such impact on the number of orders has caused quite a pressure on the operations of textile enterprises.
 3. Market shares

Honmyue demonstrated significant advantages in the domain of woven products through its extensive weaving equipment and strong production capacity. In particular, the capacity of long-fiber woven fabrics is one of the tops in Taiwan, possessing an extreme high share in the market of industrial textiles. In recent years, the Company actively explores the field of garment fabrics, focusing on the R&D of mechanical stretch fabrics with single materials. In the meanwhile, we constantly make innovations on the fields of home and soft equipment fabrics to elevate product competitiveness in the market and devote ourselves in discovering eco-friendly materials that align with market demands.
 4. Market growth

Despite the pressure caused by the soaring material prices of textile industries in Taiwan and the inflation suppressing consumption demands in 2023, Honmyue is still committed to research and development forward-looking products to increase operating income. In 2023, the profits were spurred by the products of hurricane protection, military orders, protective cases for 3C products and military raincoats in Vietnam. Additionally, Honmyue continues to inject R&D resources to niche products with better market growth in response to carbon tax issues in Europe and the uprising demand for eco-friendly fabrics and mechanical stretch fabrics for apparel.
 5. The favorable and unfavorable factors of competitive niche
 - (1)Favorable factors
 - A. Integration of cross-strait resources

Honmyue owns complete and consistent facilities production and R&D as well as resources for dyeing and finishing. We are able to exploit a wide range of product lines and application markets and to serve customers' diverse demands. Over the past two years, we actively integrated cross-strait resources, targeted the requirements of quality and delivery time from various customers, and combined the order strategies from both sides in pursuit of maximum sales and minimum costs.
 - B. Digital marketing to strengthen product promotion
 - (a) Introduction of Virtual Mock-Up 3D simulation software

Honmyue is committed to enhance its service levels through technology. Therefore, Virtual Mock-Up 3D simulation software was introduced to the Company website for customers to quickly simulate the appearance of terminal products after selecting fabrics. This 3D simulation technique can clearly simulate the texture of fabrics onto packing bag products to impress customers on fabric application experiences and reinforce the promotional effect.
 - (b) Issued digital media platform to instantly post e-catalog

By instantly updating e-catalogs of products on the issued digital media platform, customers can systemically browse through Honmyue's latest product catalogs on mobile devices. In this case, promotional efficacy is enhanced and costs on printing traditional hard copies for promotion are saved, which also aligns with the eco-friendly trend of going paperless.
 - (c) Frontier textile cloud data system

Honmyue has joined the Frontier textile cloud data system. With the aid of the huge database where global material suppliers are gathered, we can increase the online exposure and visibility of our products. Frontier online platform has collected the material suppliers from all over the world where brand merchants are only one click away to get hold of the latest fabric information and are easily to select fabrics in line with their requirements. By joining this innovative digital platform, Honmyue will be able to reach more potential clients and bring more business opportunities.
 - (d) Brand construction of new eco-friendly materials

In recent years, the recycling resources of textile supply chains have shifted from PET bottles to others. Honmyue not only explores new environmental friendly materials, but also launches a series of fabrics made from recycled fibers under the Apparel, Equipment, and Home categories. We even create an exclusive brand identity for the new and environmental-friendly material, helping highlight Honmyue's role to the market in the innovational development of forward-looking and environmental-friendly materials.
 - C. Initiative of ISO 14064 Greenhouse Gases Emissions Verification

In response to the foreign and domestic issues on greenhouse gases and the developmental trends, many global manufactures of scale are taking carbon emissions from supply chains into consideration. Honmyue actively promotes ISO 14064 Greenhouse Gases Emissions Verification to keep track of carbon footprint of the Company, optimize production process in reduction of energy consumption, and grasp business opportunities on environmental friendly materials.
 - (2)Unfavorable factors

China's adjustment on ECFA preferential tariff: In December 2023, Chinese government

announced that the ECFA preferential tariff for the 10 textiles would be cancelled since 1st January 2024. The impact to the textile companies in Taiwan by the adjustment of the ECFA product tariff is as follows:

- (A) Increase in costs: Textile fabrics exported from Taiwan to China will face higher tariff, which will directly increase production costs of enterprises.
- (B) Decline in competitiveness: Textile fabrics from Taiwan will face a fiercer price war with fabrics from other countries and regions in China's market. Product competitiveness will be weakened.
- (C) Withering market: China is an important export market for textile fabrics made in Taiwan. The tariff increase may lead to a decline in sales of Taiwan textile fabrics in China market.

6. Response strategies

(1). Concentrating on the planning of sustainable products

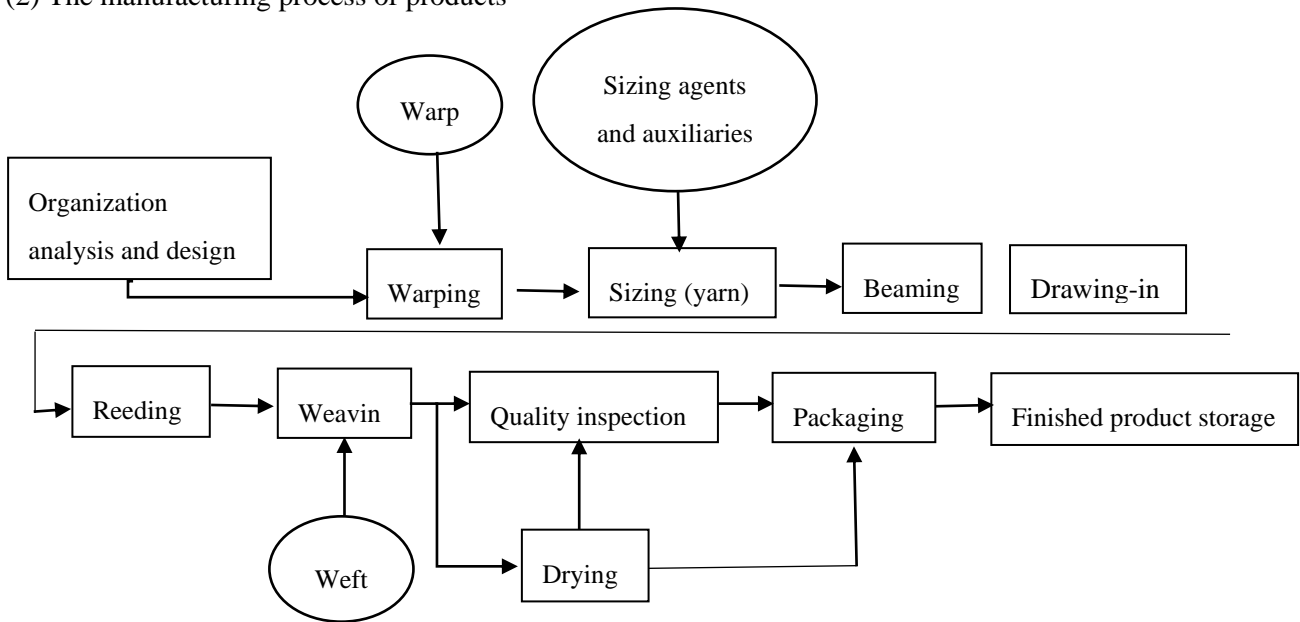
In response to the policy adjustment of the preferential tariff from China, Honmyue not only initiates cross-strait integration strategies, but also focuses on the development of functional and sustainable products. We feverishly explore the western markets to distract risks, places three product lines of RECYCLED vs RECYCLABLE & RESOURCE REDUCTION, and proactively participates in exhibitions to get hold of customers' needs and increase the percentage of ODM orders.

Apart from the promotion of green products, Honmyue also continues to optimize the green energy saving process. Currently we have obtained certifications of environmental protection such as Bluesign, GRS, Higg index FEM, and GreenGuard. We have successfully entered the green supply chain for international brands and coordinated with brand certification as well as supply chain optimization to accelerate sustainable product development.

(2). Adjusting product structure and increase the ratio in apparel materials and finished fabrics

In response to the policy adjustment of the preferential tariff from China, Honmyue increases its ratio in apparel materials and finished fabrics to accelerate the apparel materials development in various application markets. We have also injected production equipment and techniques to enhance production capacity and quality. At the same time, by integrating the group advantages of weaving, dyeing and finishing, we directly deliver finished fabrics to customers' end. Through the combination of weaving and dyeing, the capability of taking orders is enhanced and the Group's operating revenue and profits are hence increased. With these measures, the Company will be able to adapt to market changes.

(2) The manufacturing process of products



(3) The supply condition of major raw materials:

Item	Name of raw material	Supplier	Supply Condition
Long filament yarn	Nylon yarn	Formosa Chemicals and Fibers Corporation Acelon Chemicals & Fiber Corporation Li Peng Enterprise Co., Ltd. Chain Yarn Co., Ltd. Italon Fiber Co., Ltd.	Normal
	Polyester textured yarn	Nan Ya Plastics Co., Ltd. Lealea Enterprise Co., Ltd. China Man-made Fiber Corporation	Normal
Others	Long fiber comprehensive pulp	Lissom Chemical Industrial Ltd.	Normal

(4) Name of customers who accounted for more than 10% of total purchases(sales) within the past two years, along with their purchase/sales amount and percentage:

1. Procurement:

Major supplier for the past two years

Unit: NTD Thousand

Item	2022				2023				2024 as of the previous quarter			
	Name	Amount	Percentage accounted for the annual net purchases	Relationship with the Issuer	Name	Amount	Percentage accounted for the annual net purchases	Relationship with the Issuer	Name	Amount	Percentage accounted for the net purchases as of the end of Q1 of the fiscal year (%)	Relationship with the Issuer
1					226047	177,345	10.80	None	226047	45,104	11.01	None
2									227617	43,000	10.50	None
	Others	1,677,792	100.00		Others	1,464,171	89.20		Others	321,400	78.49	
	Amount of net purchases	1,677,792	100.00		Amount of net purchases	1,641,516	100.00		Amount of net purchases	409,504	100.00	

Note: Due to contractual obligations, the names of suppliers or trading parties shall not be disclosed, thus they are referred to by code names.

2. Sales:

Major customer of sales for the past two years

Unit: NTD Thousand

Item	2022				2023				2024 as of the previous quarter			
	Name	Amount	Percentage accounted for the annual net sales (%)	Relationship with the Issuer	Name	Amount	Percentage accounted for the annual net sales (%)	Relationship with the Issuer	Name	Amount	Percentage accounted for the net sales as of the end of Q1 of the fiscal year (%)	Relationship with the Issuer
1												
2	Others	3,189,020	100.00		Others	2,685,726	100.00		Others	735,627	100.00	
	Amount of net sales	3,189,020	100.00		Amount of net sales	2,685,726	100.00		Amount of net sales	735,627	100.00	

Note: Due to contractual obligations, the names of suppliers or trading parties shall not be disclosed, thus they are referred to by code names.

(5) Production values in the past two years

Unit: NTD Thousand

Production Volume Year Major products (or department)	2022			2023		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Long-fiber fabrics (thousand yards)	144,384	124,720	2,085,017	147,526	133,340	2,131,214
Short-fiber fabrics (thousand yards)	5,003	3,859	72,102	5,000	4,890	72,878
Raw yarn (Ton)	6,000	6,237	166,901	6,000	1,087	7,577
Contract manufacturing (thousand yards)	14,064	13,077	84,238	12,054	8,159	67,770
Total	169,451	147,893	2,408,258	170,580	147,476	2,279,439

Note: Production capacity refers to the quantity that a company can produce under normal operating conditions, taking into account necessary downtime, holidays, and other factors, and using existing production equipment and collaboration with external manufacturing partners.

(6) Sales value in the past two years

Unit: NTD Thousand

Sales Volume Year Major products (or department)	2022				2023			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Long-fiber fabrics (thousand yards)	103,645	1,991,988	30,082	874,770	103,072	1,734,436	25,148	686,240
Short-fiber fabrics (thousand yards)	4,744	82,534	5	521	4,800	66,676	8	784
Raw yarn (ton)	134	16,974	6	1,182	125	12,767	0	0
Contract manufacturing (thousand yards)	20,865	144,927	0	0	16,063	113,890	0	0
Medical fabrics (thousand yards)	958	75,765	4	359	1,031	70,233	7	700
Others	0	0	0	0	0	0	0	0
Total	130,346	2,312,188	30,097	876,832	125,091	1,998,002	25,163	687,724

5.3 Human Resources

Number of working employees, average years of service, average age and distribution ratio of education in the past two fiscal years and as of 31st March 2024

Year		2022	2023	Fiscal year as of 31st March 2024
Of emplo	Direct workforce	480 persons	446 persons	508 persons
	Indirect workforce	256 persons	250 persons	256 persons
	Total	736 persons	696 persons	764 persons
Average age		42.62years old	43.34 years old	42.88 years old
Average years of service		8.70years	8.80 years	8.58 years
Distribution ratio of education %	PhD	0	0.01%	0.01%
	Masters degree	2.81%	3.50%	4.06%
	College degree	28.51%	28.82%	28.70%
	Senior high school	27.31%	16.37%	16.06%
	Below senior high school	41.37%	51.30%	51.17%

5.4 Environmental Protection Expenditure

(1) In the most recent fiscal year and as of the date of publication of the Annual Report, losses (including compensations) due to pollution of the environment and the amount of penalties: None

(2) Future response measures (including improvement measures) and potential expenses (including estimated amounts for potential losses, penalties, and compensations in case of not adopting any response measures. If it is impossible to make a reasonable estimation, the facts of the inability to estimate reasonably shall be explained): N/A

5.5 Labor Relations

Measures for the welfare of employees and their status of implementation, agreements between labors and employers, and various measures on the protection of labor rights:

1. Welfare measures:

- A. Bonuses: Dragon Boat Festival bonus, Chinese New Year bonus, year-end bonus, outstanding employee reward, long-service employee reward, performance bonus, and reward for improvement proposals.
- B. Leave benefits: Special leave, pregnancy checkup leave, paternity leave, parental leave, menstrual leave, family care leave, maternity leave, marriage leave, bereavement leave, pandemic care leave, quarantine leave, vaccination leave, etc. 50% of the company's employees are female. The company is committed to providing employees with maternal health protection and a gender-equality working environment. Application of unpaid parental leaves in the recent two years is as follows:

Item	No. of people	Remark
Application for unpaid parental leave in 2022	1	Period of the unpaid leave (2022/9/27~2024/9/26)
Application for unpaid parental leave in 2023	2	Period of the unpaid leave (2023/01/01~2023/12/31 2023/09/01~2023/10/31)

- C. Insurance benefits: Labor Insurance, National Health Insurance, group accident insurance for employees/family members, special insurance for employee business travel, and labor pension reserve.
- D. Catering benefits: The Catering Committee provides employees with healthy and nutritious meals, meal subsidies for employees who miss meals, and snacks for afternoon shift and night shift employees.
- E. Clothing benefits: Summer and winter uniforms for employees.
- F. Housing benefits: Employee dormitory, breastfeeding room, and library.
- G. Transportation benefits: Free parking space and carparks with automatic LED sensor lightings, business travel fuel subsidies, free charging for electric vehicles, interest-free car loans, and subsidies for employees.
- H. Subsidy benefits: Marriage subsidy, maternity subsidy, on-the-job training subsidy for employees, scholarships for outstanding academic performance, educational subsidies and scholarships for outstanding academic performance for children, funeral subsidies for employees and their dependents, etc.
- I. Other benefits

- a. Various gifts: Gifts for Chinese New Year, International Worker's Day, Dragon Boat Festival, Mid-Autumn Festival, employee birthday gifts, birthday cakes for their parents, Father's (Mother's) Day cakes or gifts.
- b. Leisure and entertainment: Annual domestic and international travel subsidies, biannual outings subsidies, welfare committee club activities (table tennis, outdoor excursions, singing, basketball, badminton, fitness, handicrafts, traditional arts, etc.)
- c. Others: Long-term and retirement/resignment appreciation bonuses, hospitalization allowance, housewarming gifts, discounts at contracted stores for food, clothing, accommodation, and transportation, Chinese New Year celebrations and lucky draw, free annual health check-ups, social gatherings for retired and resigned employees of Honmyue.

2. Retirement system and its status of implementation

A. The company deeply recognizes that employees are its most valuable assets. In order to allow employees to focus on their work and ensure a stable retirement life for them, the company has established a labor retirement system in accordance with the law, and established the Supervisory Committee of Labor Retirement Reserve. Every month, 2% of the total salary expenses are allocated to the retirement reserve fund, which is held in a trust account at the Bank of Taiwan, to safeguard the rights and interests of the labor force. For employees who joined the company after July 2005 and chose to apply the Labor Pension Act, a monthly contribution of 6% of the total salary amount is deposited into the employee's personal pension account.

And according to the law, the company will estimate the balance of the labor retirement reserve account before the end of each fiscal year to ensure it is sufficient to cover the retirement reserve for eligible retired employees in the following year. In 2023, there were a total of 12 retirees.

B. The requirements for retirement are as follows:

- a. Voluntary retirement: Employees may voluntarily retire if they meet one of the following conditions.
 - ① Worked for fifteen years or above and reached the age of fifty-five or above
 - ② Worked for twenty-five years or above
 - ③ Worked for ten years or above and reached the age of sixty or above
- b. Mandatory retirement: The company may order the retirement of an employee if they meet one of the following conditions.
 - ① Reached the age of sixty-five or above.
 - ② If an employee experiences mental incapacity or physical disability that leads to the inability to perform their job duties, and this condition is verified by a public hospital or a hospital designated by Labor Insurance.

C. Contribution status of 2023 retirement pension

Retirement Pension Scheme	Previous Scheme	Current Scheme
Applicable Laws	Labor Standards Act	Labor Pension Act
Contribution Amount	NT\$916 thousand	NT\$9,842 thousand

3. Continuing education and training

To align with the key opening areas of the annual strategic plan and integrate with competency and strategic gaps, the company has formulated an education and training plan to support its development and organizational change, which aims to enhance the quality of the company's human resources. Status of implementation: The company has incorporated the personal education and training records of employees into an electronic system, allowing for a better grasp of the overall condition of personnel education and training as well as learning outcomes. The results of education and training and the analysis of courses in 2023 are as follows:

Total no. of sessions	Total no. of hours	Total no. of participants
94 sessions	901.5 hours	616 individuals

Type of courses: 22 sessions on textile industry, 3 sessions on marketing management, 14 sessions on management and administration, 14 sessions on general management, 23 sessions on production management, 8 sessions on human resources management, and 10 session on financial management.

4. Status of labor-management agreement: The labor-management relationship is harmonious,

with regular labor-management meetings attended by representatives from both sides. There are no circumstances of labor disputes.

5. Working environment and protective measures on the personal safety of employees

Item	Content
Access control security	Strict access control security and plant safety inspection systems are implemented during daytime and at night, safeguarding the factory plant and its surroundings. Security guards are stationed during daytime and at night. They are responsible for ensuring the safety of working personnel and manufacturing partners at the crossroads of the factory plant.
Workplace safety	<ol style="list-style-type: none"> 1. Adequate lighting or illumination should be provided at workplace entrances, stairs, corridors, safety doors, and safety ladders in accordance with the provisions of laws and regulations. Emergency lighting systems should be installed in important passageways and safety doors for use in case of a failure of the regular lighting system. 2. Safety shoes are provided for employees who engage in heavy lifting operations, and employees are urged to use them properly. 3. To prevent employees from operating or approaching machinery in operation, where there is a risk of their hair getting caught in the machine, protective caps are provided and employees are urged to wear them properly. 4. An independent first-aid kit is provided and maintained in the workplace for use by employees when needed. 5. To prevent employees from being exposed to excessive noise in the workplace and causing damage, earplugs, earmuffs, and other protective equipment are provided. Employees are educated on the points of notice when using these types of equipment and they are required to wear them properly.
Maintenance and inspection of equipment	<ol style="list-style-type: none"> 1. Fire inspections should be outsourced annually in accordance with the regulations of the Fire Services Act. 2. Regular maintenance and inspections should be conducted on high and low-voltage electrical equipment, elevators, water dispensers, vehicles, fire extinguishers, and other equipment as required by regulations. 3. All hazardous machinery equipment should be inspected regularly in accordance with the laws and regulations, and operators should obtain professional licenses and undergo regular on-the-job training.
Disaster prevention measures and emergency responses:	A "Disaster Prevention and Emergency Response Plan" and an emergency response command system are established, clearly defining the responsibilities and missions of personnel at all levels in responding to material emergencies, before and after the incident. Moreover, regular safety protection drills are conducted by specialized units.
Energy saving and carbon reduction:	<ol style="list-style-type: none"> 1. Plastic pallets are purchased as they have better reusability and reduce the waste of resources from the lack of durability in wooden pallets. 2. Actively promoting various energy-saving projects, including the transition to LED lighting equipment, and projects that reduce the energy consumption of power and heating equipment/systems.
Occupational environment assessment	Qualified occupational environment assessment institutions are commissioned to conduct regular environmental noise measurements in accordance with the "Regulations for the Implementation of Occupational Environment Measurements". The measurement results are evaluated if they comply with the legal requirements. If there is any abnormality in the results, improvements and corrective actions are implemented to ensure personnel safety.
Health care and management	<ol style="list-style-type: none"> 1. Employees are entitled to free annual health check-ups that exceed legal requirements. In 2023, a total of 410 individuals were to be checked on and a total of 382 participants were actually checked on, with the participation rate of 93%. Meanwhile, subsidies for high-end health check-ups are provided to senior employees. 2. Special examinations, such as examinations on the impairment of hearing, are conducted for workers who are exposed to specific health hazards like noise. Management measures are implemented with different classifications based on the results of these special health examinations, and assistance is provided to individuals for their awareness of health conditions and maintaining good health habits. 3. The company arranges medical and nursing staff to provide health consultations to employees on-site. Periodic preventive health care seminars are organized, with a total of 148 participants. In 2023, a total of 174 consultations were conducted by the company's medical and nursing staff. 4. Employees are encouraged to participate in various company sports clubs and outdoor excursion activities. Professional coaches are hired to conduct yoga classes and fitness activities.

6. Losses due to labor disputes in the past three years: None.

7. Workplace diversity and equality:

The Company is committed to provision of a working environment of dignity and safety for employees. We practice employment diversity as well as equality in remuneration and promotion opportunities, making sure that employees are not subject to discrimination, harassment, unfair treatment arising from ethnicity, gender, religion, age, political leanings, or otherwise protected by applicable laws and regulations.

In 2023, the average percentage of female employees was 50% and the average percentage of female supervisors was 14%. We attach importance to workforce diversity and guarantee the employment of employees with disabilities. In compliance with the "People with Disabilities Rights Protection Act," our employment percentage on hiring employees with disabilities reached 180%, exceeding the statutory requirement.

5.6 Cyber Security Management

- (1) Explanation of the structure of cyber security and risk management, cyber security policies, substantial management plans, and resources to be invested in information security management.

The company established the "Cyber security and risk management Committee". Its members are responsible for reviewing the governance, planning, supervision, and implementation of cyber security policies in each business unit, thus constructing defense capabilities of cyber security and fine awareness of cyber security among colleagues.

To strengthen cyber security management and ensure the security of information, systems, equipment, and networks, the company has stipulated cyber security policies to achieve the goals of cyber security risk management.

The company has engaged in personnel management and training on cyber security, computer systems security management, network security management, access control of systems, systems development and management on security maintenance, security management of information and communication assets, physical and environmental safety management, and planning and management of the sustainable business operations plan.

Status of implementation in 2023:

- Employee educational trainings on cyber security
 - Disseminated via emails
 - Disseminated at weekly meetings with 201 participants of managerial and employees
- Social engineering drills (Conducted in Q1 2023)
- Server host security and vulnerability scan is conducted by an entrusted third party cyber security company every two years.
- Remote backup: Added the remote backup operations at Taipei Office and Zhejian.
- Update on the firewall regulations to restrict all external networks to connect via VPN to the host server.
- Daily shutdown to external networks after 9 PM and restriction on account logins after 12 PM.
- Enrollment in Taiwan Chief Information Security Officer Alliance to stay linked with the cyber security technology and information in the industry.

- (2) In the most recent fiscal year and as of the date of publication of the Annual Report, losses, possible impacts, and measures taken in grave information security events, and if a reasonable estimation could not be made, the facts on the inability to estimate reasonably shall be explained: None

5.7 Important contracts

Nature of contract	Party involved	Starting and ending date of contract	Main contents	Restrictive clause
Mid-term Loan Agreement	Bank of Taiwan	2019.08~2024.08	Working capital turnover	None
Mid-term Loan Agreement	Bank of Taiwan	2020.10~2025.10	Working capital turnover	None
Mid-term Loan Agreement	Mega International Commercial Bank	2019.11~2026.11	Working capital turnover	None
Mid-term Loan Agreement	Mega International Commercial Bank	2021.05~2028.05	Working capital turnover	None

6. Financial Information

6.1 Five-Year Financial Summary

(1) Individual Condensed Balance Sheet

Unit: NTD Thousand

Year		Financial summary for the past five years (Note 1)					Financial summary as of 31 st March 2024
		2019	2020	2021	2022	2023	
Current assets		1,736,438	1,767,077	1,731,352	1,555,255	1,468,566	Not Applicable
Property, Plant, and Equipment		705,497	689,984	757,196	793,242	772,673	
Intangible assets		2,291	1,297	1,341	12,095	11,329	
Other assets		865,031	967,289	1,221,321	1,265,933	1,221,194	
Total assets		3,309,257	3,425,647	3,711,210	3,626,525	3,473,762	
Current liabilities	Before distribution	1,063,665	1,025,609	1,047,011	788,021	892,447	
	After distribution	1,063,665	1,077,568	1,111,959	839,980	892,447	
Non-current liabilities		368,802	423,865	594,812	723,272	577,302	
Total liabilities	Before distribution	1,432,467	1,449,474	1,641,823	1,511,293	1,469,749	
	After distribution	1,432,467	1,501,433	1,706,771	1,563,252	1,469,749	
Equity attributable to shareholders of the parent company		1,876,790	1,976,173	2,069,387	2,115,232	2,004,013	
Capital stock		1,298,970	1,298,970	1,298,970	1,298,970	1,298,970	
Capital Surplus		5,887	5,887	5,887	50,735	50,735	
Retained earnings	Before distribution	635,266	733,949	823,507	833,696	737,431	
	After distribution	635,266	681,990	758,559	781,737	737,431	
Other equity interest		(63,333)	(62,633)	(58,977)	(68,169)	(83,123)	
Treasury Stock		0	0	0	0	0	
Non-controlling interest		0	0	0	0	0	
Total Equity	Before distribution	1,876,790	1,976,173	2,069,387	2,115,232	2,004,013	
	After distribution	1,876,790	1,924,214	2,004,439	2,063,273	2,004,013	

Note 1: The financial summary for Year 2019~2023 is audited and certified by accountants.

(2) Individual statement of comprehensive income

Unit: NTD Thousand
(Except earnings(loss) per share is in NTD)

Year Item	Financial summary for the past five years (Note)					Financial summary as of 31 st March 2024
	2019	2020	2021	2022	2023	
Operating revenue	2,606,016	2,180,015	2,616,558	2,484,812	1,996,611	Not Applicable
Operating gross profit	271,101	336,858	378,460	324,713	175,752	
Operating profit	80,139	129,292	152,826	110,370	(12,806)	
Net non-operating income and expenditure	(1,002)	(6,511)	23,835	(5,437)	(31,377)	
Net profit before tax	79,137	122,781	176,661	104,933	(44,183)	
Continuing operations net profit of the current period	51,970	107,344	143,963	77,429	(44,431)	
Loss from discontinuing operations	0	0	0	0	0	
Net profit (loss) of the current period	51,970	107,344	143,963	77,429	(44,431)	
Other comprehensive income of the current period (Net amount after tax)	(28,406)	(6,809)	3,113	(11,484)	(13,742)	
Comprehensive income of the current period	23,564	100,535	147,076	65,945	(58,173)	
Earnings per share	0.40	0.83	1.11	0.60	(0.34)	

Note: The financial summary for Year 2019~2023 is audited and certified by accountants.

(3) Consolidated condensed balance sheet

Unit: NTD Thousand

Year Item		Financial summary for the past five years (Note 1)					Financial summary as of 31 st March 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current assets		2,130,955	2,414,029	2,561,412	2,143,543	2,115,122	2,070,257
Property, plant, and equipment		1,188,384	1,188,481	1,433,967	1,492,068	1,408,738	1,402,766
Intangible assets		14,045	12,230	11,303	21,421	11,829	11,423
Other assets		287,388	247,354	256,117	225,546	229,314	234,165
Total assets		3,620,772	3,862,094	4,262,799	3,882,578	3,765,003	3,718,611
Current liabilities	Before distribution	1,349,676	1,435,736	1,536,486	975,205	1,118,083	986,496
	After distribution	1,349,676	1,487,695	1,601,434	1,027,146	1,118,083	(Note 2)
Non-current liabilities		371,473	430,664	638,426	770,501	613,740	592,724
Total liabilities	Before distribution	1,721,149	1,866,400	2,174,912	1,745,706	1,731,823	1,579,220
	After distribution	1,721,149	1,918,359	2,239,860	1,797,665	1,731,823	(Note 2)
Equity attributable to shareholders of the parent company		1,876,790	1,976,173	2,069,387	2,115,232	2,004,013	2,109,465
Capital stock		1,298,970	1,298,970	1,298,970	1,298,970	1,298,970	1,298,970
Capital surplus		5,887	5,887	5,887	50,735	50,735	50,735
Retained earnings	Before distribution	635,266	733,949	823,507	833,696	737,431	818,456
	After distribution	635,266	681,990	758,559	781,737	737,431	(Note 2)
Other equity interest		(63,333)	(62,633)	(58,977)	(68,169)	(83,123)	(58,696)
Treasury Stock		0	0	0	0	0	0
Non-controlling interest		22,833	19,521	18,500	21,640	29,167	29,926
Total Equity	Before distribution	1,899,623	1,995,694	2,087,887	2,136,872	2,033,180	2,139,391
	After distribution	1,899,623	1,943,735	2,022,939	2,084,913	2,033,180	(Note 2)

Note 1: The financial summary for Year 2019~2023 is audited and certified by accountants; The financial summary for Q1 of 2024 has been audited by accountants.

Note 2: Not applicable because the financial summary is as of Q1 of 2024.

(4) Consolidated condensed statement of comprehensive income

Unit: NTD Thousand
(Except earnings per share is in NTD)

Item \ Year	Financial summary for the past five years (Note)					Financial summary as of 31 st March 2024
	2019	2020	2021	2022	2023	
Operating revenue	3,452,413	2,858,477	3,503,869	3,189,020	2,685,726	735,627
Operating gross profit	319,630	402,086	515,652	406,044	210,784	74,440
Operating profit	1,724	68,661	140,813	58,889	(91,767)	(15,750)
Net non-operating income and expenditure	64,519	45,752	36,911	45,777	50,415	103,573
Net profit before tax	66,243	114,413	177,724	104,666	(41,352)	87,823
Continuing operations net profit (loss) of the current period	39,076	100,880	141,039	80,569	(43,378)	81,630
Loss from discontinuing operations	0	0	0	0	0	0
Net profit (loss) of the current period	39,076	100,880	141,039	80,569	(43,378)	81,630
Other comprehensive income of the current period (Net amount after tax)	(28,406)	(6,809)	3,113	(11,484)	(13,742)	24,581
Comprehensive income of the current period	10,670	94,071	144,152	69,085	(57,120)	106,211
Net profits attributable to shareholders of the parent company	51,970	107,344	143,963	77,429	(44,431)	81,025
Net profits attributable to non-controlling interest	(12,894)	(6,464)	(2,924)	3,140	1,053	605
Total comprehensive profits attributable to shareholders of the parent company	23,564	100,535	147,076	65,945	(58,173)	105,452
Total comprehensive profits attributable to non-controlling interest	(12,894)	(6,464)	(2,924)	3,140	1,053	759
Earnings per share	0.40	0.83	1.11	0.60	(0.34)	0.62

Note 1: The financial summary for Year 2019~2023 is audited and certified by accountants; the financial summary for Q1 of 2024 has been audited by accountants.

(5) Name and auditing opinions of Certified Public Accountants in the past five years

1. Name and auditing opinions of Certified Public Accountants in the past five years

Year	Name of accounting firm	Name of CPA	Audit opinion
2019	PwC Taiwan	Liu Mei-Lan (劉美蘭), Wang Yu-Juan(王玉娟) (Note 1)	Unqualified opinion
2020	PwC Taiwan	Liu Mei-Lan (劉美蘭), Wang Yu-Juan(王玉娟)	Unqualified opinion
2021	PwC Taiwan	Liu Mei-Lan (劉美蘭), Wang Yu-Juan(王玉娟)	Unqualified opinion
2022	PwC Taiwan	Hong Shu-Hua (洪淑華), Wang Yu-Juan(王玉娟) (Note 2)	Unqualified opinion
2023	PwC Taiwan	Hong Shu-Hua (洪淑華), Wang Yu-Juan(王玉娟)	Unqualified opinion

Note 2: Starting from Q1 of 2019, the accountants have been changed to Liu Mei-Lan (劉美蘭) and Wang Yu-Juan(王玉娟)

Note 3: Starting from Q1 of 2022, the accountants have been changed to Hong Shu-Hua (洪淑華) and Wang Yu-Juan(王玉娟)

2. Explanation of the change of accountants in the past five years

The change of accountants in 2019 and 2022 was collaborating with the internal working adjustments of PwC Taiwan.

6.2 Five-Year Financial Analysis

Individual financial analysis

Year Analyzed item		Financial analysis in the past five years					31 st March 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	43.29%	42.31%	44.24%	41.67%	42.31%	Not Applicable
	The ratio of long-term capital to property, plant and equipment	318.30%	347.84%	351.85%	357.84%	334.08%	
Solvency (%)	Current ratio	163.25%	172.30%	165.36%	197.36%	164.55%	
	Quick ratio	105.85%	103.48%	95.17%	116.10%	91.09%	
	Times interest earned	8.68	13.50	18.21	6.70	(1.09)	
Operating capabilities	Accounts receivable turnover (times)	4.14	3.60	4.30	4.73	4.72	
	Average collection period	88	101	85	77	77	
	Inventory turnover (times)	3.64	2.88	3.20	3.27	2.92	
	Accounts payable turnover (times)	8.36	6.28	7.15	7.86	7.42	
	Average days in sales	100	127	114	112	125	
	Property, Plant and Equipment turnover (times)	3.78	3.12	3.62	3.21	2.55	
	Total assets turnover (times)	0.77	0.65	0.73	0.68	0.56	
Profitability	Return on assets (%)	1.78%	3.42%	4.26%	2.51%	(0.77%)	
	Return on equity (%)	2.76%	5.57%	7.12%	3.70%	(2.16%)	
	Pre-tax income ratio to paid-in capital (%)	6.09%	9.45%	13.60%	8.08%	(3.40%)	
	Net profit margin (%)	1.99%	4.92%	5.50%	3.12%	(2.23%)	
	Earnings per share (Dollar)	0.40	0.83	1.11	0.60	(0.34)	
Cash flow	Cash Flow Ratio (%)	17.75%	20.78%	13.39%	46.39%	2.99%	
	Cash adequacy ratio (%)	116.65%	118.33%	95.51%	143.50%	138.60%	
	Cash reinvestment ratio (%)	5.29%	7.11%	2.68%	8.59%	(0.79%)	
Leverage	Operating leverage	1.57	2.79	1.31	1.48	(3.46)	
	Financial leverage	1.15	1.08	1.07	1.20	0.38	
<p>The reasons for financial ratios having changes of more than 20% in the past two fiscal years: (If the change does not reach 20% can be exempted from analysis)</p> <ol style="list-style-type: none"> 1. Quick ratio: Caused by an increase in short-term loans. 2. Times interest earned: The net loss in the current period was caused by a decrease in operating revenue. 3. Profitability: Caused by a decrease in revenue, a drop in gross margin, and destocking. 4. Cash flow: Caused by an increase in short-term loans and a decrease in operating revenue in the current period. 5. Leverage: Caused by the net loss in the current period. 							

(3) Consolidated financial analysis

Year Analyzed item		Financial analysis in the past five years					The fiscal year as of 31 st March 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	47.54%	48.33%	51.02%	44.96%	46.00%	42.47%
	The ratio of long-term capital to property, plant and equipment	191.11%	204.16%	190.12%	194.86%	187.89%	194.77%
Solvency (%)	Current ratio	157.89%	168.14%	166.71%	219.80%	189.17%	209.86%
	Quick ratio	93.92%	97.81%	97.38%	120.89%	97.27%	103.86%
	Times interest earned	4.75	8.58	13.61	5.72	(0.64)	16.08
Operating capabilities	Accounts receivable turnover (times)	5.19	4.45	4.95	4.95	4.85	4.92
	Average collection period	70	82	74	74	75	74
	Inventory turnover (times)	3.67	2.86	3.25	3.19	2.93	3.06
	Accounts payable turnover (times)	9.15	7.02	7.38	7.71	8.71	9.57
	Average days in sales	99	128	112	114	125	119
	Property, plant and equipment turnover (times)	2.89	2.41	2.67	2.18	1.85	2.09
	Total assets turnover (times)	0.93	0.76	0.86	0.78	0.70	0.79
Profitability	Return on assets (%)	1.43%	3.02%	3.75%	2.41%	(0.61%)	2.31%
	Return on equity (%)	2.04%	5.18%	6.91%	3.81%	(2.08%)	3.91%
	Pre-tax income ratio to paid-in capital (%)	5.10%	8.81%	13.68%	8.06%	(3.18%)	6.76%
	Net profit margin (%)	1.13%	3.53%	4.03%	2.53%	(1.62%)	11.10%
	Earnings per share (Dollar)	0.40	0.83	1.11	0.60	(0.34)	0.62
Cash flow	Cash Flow Ratio (%)	12.14%	10.27%	11.37%	37.96%	(11.76%)	(3.24%)
	Cash adequacy ratio (%)	94.43%	85.29%	58.67%	79.15%	63.80%	14.84%
	Cash reinvestment ratio (%)	3.88%	4.20%	3.15%	7.30%	(4.92%)	(0.83%)
Leverage	Operating leverage	75.09	2.09	1.90	3.27	(0.27)	(0.82)
	Financial leverage	(0.11)	1.28	1.11	1.60	0.78	0.73

The reasons for financial ratios having changes of more than 20% in the past two fiscal years:

(If the change does not reach 20% can be exempted from analysis)

1. Solvency: Caused by an increase in short-term loans and a drop in operating revenue.
2. Profitability: The overall profitability has been reduced compared to last year due to a decrease in revenue and a drop in gross margin.
3. Cash flow: Caused by an increase in short-term loans a decrease in operating revenue, resulting in a significant drop in cash flow ratio.
4. Leverage: Caused by the net loss in the current period.

Note: The calculation formulas are as follows:

1. Financial Structure

(1) Debt ratio = $\text{Total liabilities} / \text{Total assets}$

(2) Ratio of long-term capital to property, plant, and equipment = $(\text{Total Equity} + \text{Non-current liabilities}) / \text{Property, plant, and equipment balance}$

2. Solvency

(1) Current ratio = $\text{Current assets} / \text{Current liabilities}$

(2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current liabilities}$

(3) Times interest earned = $\text{Profit before income taxes and interest costs} / \text{Interest expenses of the current period}$

3. Operating capabilities

(1) Accounts receivable (including accounts receivable and receivable negotiable instruments generated by operation) turnover = $\text{Net credit sales} / \text{Balance of average accounts receivables (including accounts receivable and receivable negotiable instruments generated by operation)}$

(2) Average collection period = $365 / \text{Accounts receivables turnover}$

(3) Inventory turnover = $\text{Cost of goods} / \text{Average inventory}$

(4) Accounts payable (including accounts payable and payable negotiable instruments generated by operation) turnover = $\text{Cost of goods} / \text{Balance of average accounts payables (including accounts payable and payable negotiable instruments generated by operation)}$

(5) Average days in sales = $365 / \text{Inventory turnover}$

(6) Property, plant, and equipment turnover = $\text{Net credit sales} / \text{Net credit property, plant, and equipment}$

(7) Total assets turnover = $\text{Net credit sales} / \text{Average total assets}$

4. Profitability

(1) Return on total assets = $(\text{Post-tax profit} + \text{interest costs} \times (1 - \text{tax rate})) / \text{Average total assets}$

(2) Return on equity = $\text{Post-tax profit} / \text{Average total equity}$

(3) Profit ratio = $\text{Post-tax profit} / \text{Net credit sales}$

(4) Earnings per share = $(\text{Equity attributable to shareholders of the parent} - \text{dividends of preferred stocks}) / \text{Weighted average number of shares}$

5. Cash flow

(1) Cash flow ratio = $\text{Net cash flow of operating activities} / \text{Current liabilities}$

(2) Cash flow adequacy ratio = $\text{Net cash flow of operating activities in the past five years} / (\text{Capital expenditure} + \text{Inventory increase} + \text{Cash dividends}) \text{ in the past five years}$

(3) Cash reinvestment ratio = $(\text{Net cash flow of operating activities} - \text{Cash dividends}) / (\text{Gross property, plant, and equipment} + \text{Long term investments} + \text{Other non-current assets} + \text{Working capital})$

6. Leverage

(1) Operation leverage = $(\text{Net operating profits} - \text{Variable operating costs and expenses}) / \text{Operating profits}$

(2) Financial leverage = $\text{Operating profits} / (\text{Operating profits} - \text{Interest Expenses})$

6.3 Audit Committee's Audit Report on Financial Statements in the most recent fiscal year

Honmyue Enterprise Co., Ltd
Audit Committee's Audit Report

The Board of Directors produced the company's 2023 Business Report, Financial Statement, and proposal for the deficit offset. Among them the financial statement had been audited by CPA Hong Shu-Hua (洪淑華) and CPA Wang Yu-Juan (王玉娟) of PwC Taiwan and an audit report was issued and certified. After the audit of the aforementioned Business Report, Financial Statement, and proposal for the deficit offset by the Audit Committee, it was considered that no discrepancies were found. According to relevant regulations of the Securities and Exchange Act and the Company Act, the report is now submitted for your approval.

Best regards,

2024 Shareholders' Meeting, Honmyue Enterprise Co., Ltd

Convenor of the Audit Committee

Hsiao Chen-Chi (蕭珍琪)

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6.4 Financial Statement in the most recent fiscal year

Please refer to "Attachment 1: Financial Statement in the most recent fiscal year" in this Annual Report. (pp. 90~155)

6.5 Individual Financial Statement audited and certified by accountants in the most recent fiscal year

Please refer to "Attachment 2: The accountant-audited Individual Financial Statement of the most recent fiscal year" in this Annual Report. (pp. 156~217)

6.6 The impact on the financial situation of the company if the company or its affiliates have experienced financial difficulties in the most recent fiscal year and as of the date of publication of the Annual Report: None

7. Review and Analysis of Financial Status and Financial Performance, and Risk Matters

7.1 Analysis of Financial Status

Major reasons for and the impacts from material changes to the company's consolidated assets, liabilities, and equities during the past two fiscal years. If the impact is significant, response measures in the future shall be explained:

Unit: NTD Thousand

Item \ Year	2023	2022	Differences	
			Amount	%
Current assets	2,115,122	2,143,543	(28,421)	(1.33%)
Property, plant, and equipment	1,408,738	1,492,068	(83,330)	(5.58%)
Intangible assets	11,829	21,421	(9,592)	(44.78%)
Other assets	229,314	225,546	3,768	1.67%
Total assets	3,765,003	3,882,578	(117,575)	(3.03%)
Current liabilities	1,118,083	975,205	142,878	14.65%
Non-current liabilities	613,740	770,501	(156,761)	(20.35%)
Total liabilities	1,731,823	1,745,706	(13,883)	(0.80%)
Equity attributable to shareholders of the parent company	2,004,013	2,115,232	(111,219)	(5.26%)
Capital stock	1,298,970	1,298,970	-	-
Capital surplus	50,735	50,735	-	-
Retained earnings	737,431	833,696	(96,265)	(11.55%)
Other equity interest	(83,123)	(68,169)	(14,954)	21.94%
Treasury stock	0	0	-	-
Non-controlling interest	29,167	21,640	7,527	34.78%
Total Equity	2,033,180	2,136,872	(103,692)	(4.85%)

Explanation of the change in percentage of over 20%

1. Intangible assets: Replacement of the ERP new system.

2. Non-current liabilities: Decrease in long-term loans

3. Other equity interest: The exchange rate affected the decrease in exchange differences in the financial statements of foreign operations.

4. Non-controlling interest: Increase in the shareholding percentage of the subsidiary.

Measures to be taken in response in the future:

The company will still continuously focus on the improvement of operating performance and stable growth in profitability, and also the reinforcement of the financial structure of the company to relieve the financial burden.

7.2 Analysis of financial performance

Major reasons for material changes to the company's consolidated assets, net operating profits, and net profits before tax during the past two fiscal years, along with the expected sales and their basis, here is their effect on the financial business of the company in the future and its response measures:

Unit: NTD Thousand

Item \ Year	2023	2022	Change	
			Amount	Changing percentage %
Net operating revenue	2,685,726	3,189,020	(503,294)	(15.78%)
Operating costs	2,474,942	2,782,976	(308,034)	(11.07%)
Operating gross profit	210,784	406,044	(195,260)	(48.09%)
Operating expenses	302,551	347,155	(44,604)	(12.85%)
Operating profit	(91,767)	58,889	(150,656)	(255.83%)
Net non-operating income and expenditure	50,415	45,777	4,638	10.13%
Net profit before tax	(41,352)	104,666	(146,018)	(139.51%)
Income tax expenses	(2,026)	(24,097)	22,071	(91.59%)
Net profit of current period	(43,378)	80,569	(123,947)	(153.84%)
Explanation of the change in percentage of over 20%: A decline in overall profitability due to a decrease in operating revenue, a rise in production costs, and a drop in gross profits.				

The expected sales and their basis: It is expected that the sales of products in the coming year are about 170 million yards, and this figure is evaluated by factors such as the strengthening of the quality of products, differentiation of productions, considering customers' orders, and the prediction on the change of future trends.

The effect on the financial business of the company in the future and its response measures: Engaging in the development of new materials and innovation in post-processing applications and strengthening competitive advantage to achieve profit goals.

7.3 Analysis of cash flow

1. Analysis and explanation of changes in cash flow and improvement plans for the lack of fluidity in the recent fiscal year:

Unit: NTD Thousand

Cash balance at the starting period (1)	Year net cash flow from operating activities (2)	Year cash inflow (3)	Cash remaining (deficiencies) (1) + (2) - (3)	Remedies to cash deficiencies	
				Investment plan	Financial plan
630,487	(131,466)	67,563	431,458	None	None
1. Operating activities: Net cash outflow of NTD 131,466 thousand, which is a decrease of NTD 501,653 thousand compared to the previous period, mainly due to the decrease in Group revenue. 2. Investment activities: Net cash inflow of NTD 29,834 thousand, which is an increase of NTD 108,614 thousand compared to the previous period, mainly due to the subsidy reimbursement by the subsidiary, (Zhejiang Honmyue) dyeing and finishing factory. 3. Fundraising activities: Net cash outflow of NTD 99,356 thousand, which is an increase of NTD 169,575 thousand compared to the previous period, mainly due to the repayment of short-term loans.					

2. Analysis of cash fluidity for the coming year:

Unit: NTD Thousand

Cash balance at the starting period (1)	Estimated year net cash flow from operating activities (2)	Estimated year cash outflow (3)	Estimated cash remaining (deficiencies) (1) + (2) - (3)	Remedies to estimated cash deficiencies	
				Investment plan	Financial plan
431,458	(110,000)	180,000	141,458	None	None

Remedies to estimated cash deficiencies and fluidity analysis: None

7.4 The effect on financial operations from significant capital expenditure in the most recent fiscal year: None

7.5 Investment policy in the most recent fiscal year, main causes for profits or losses, improvement plans, and the investment plans for the coming year:

The Group's medium to long term strategic goal is re-investment plans. In Taiwan we focus on high added value fabrics with uniqueness and particularity; whereas in China we focus on mass-oriented specifications for its high degree of price sensitivity. Through the advantages of integrated weaving and dyeing factories, we are able to broaden our competitiveness in receiving orders on finished fabrics and increase the breadth and depth of the existing product lines.

Foreign Re-investment Company: Honmyue's Zhejiang Plant was faced with the retreat of the dyeing and finishing factory and the restoration of the plant. Additionally, the ailing of the mainland market led to loss in the current period. As for Jiangxi Jiujang Plant, client demands and market trends were conservative. The production capacity of equipment did not reach the economical scale and thus led to a loss.

Domestic Re-investment Company: Nuwa and Utex were affected by the destocking of global brands, showing an overall recession compared to the previous year.

Improvement plans and investment plans for the coming year:

Plant in China (1) to revitalize the retreated factory and its space to create higher income. (2) Weaving plant to expand on finished fabrics to integrate the upper, middle, and down streams, strengthen combination of product differences, and reinforce business achievement goals. (3) Jiangxi Jiujang plant to utilize machines for mass production and to produce wide-width stretch fabrics with manufacturers in China to optimize the usage of factory land.

Domestically, we will actively strengthen the capability of research and development.

7.6 Analysis and evaluation of risk matters in the most recent fiscal year and as of the publication date of the Annual Report:

(1) The impact on the income of the company from inflation and changes in interest rates and exchange rates, along with future response measures to it:

1. The impact on the income of the company from changes in interest rates and exchange rates:

Interest rate risks mainly come from bank loans with floating interest rates. When the loan interest rate fluctuates by $\pm 0.1\%$, the net profit after tax in 2023 will increase or decrease by NTD 577 thousand respectively, mainly due to fluctuating interest expenses caused by loans with floating interest rates.

The exchange rate risk primarily relates to the operating activities and net investments in foreign operating agencies. in which mainly US dollars and RMB. When the exchange rate fluctuates by $\pm 1\%$, the net profit after tax in 2023, it will increase or decrease by NTD 3,400,000.

2. The impact on the income of the company from inflation:

With the effects of inflation and interest rate hikes, the market demand is sluggish and the industry chain continuously adjusts its inventory. In addition to factors such as geopolitics, crude oil prices, and fluctuations in the prices of raw materials, result in fluctuations in the cost of purchasing materials and the price of products, which lead to a rise in costs and reduced profitability.

3. Future response measures:

(1) To mitigate the interest rate risks, changes in the interest rates of the market are monitored persistently. Besides loaning in banks, the company also facilitates various fundraising tools and locks in advantageous long-term fixed-rate liabilities depending on market conditions. Thus the funds for operational needs can be raised.

(2) The company's foreign exchange earnings are roughly balanced between US dollars and RMB. A flexible natural hedging operation is adopted and through continuous monitoring of fluctuations of the exchange rate in the market, impacts caused by significant fluctuations of the exchange rate can be responded to promptly.

(3) The trend of international raw materials will still be monitored closely so that a marketing strategy that is the most advantageous to the company can be formulated.

(2) Engagement in high-risk and high-leverage investments, loaning funds to others, making endorsements and guarantees, and policies of the transactions of derivatives, main reasons for profit or loss, and future response measures:

1. Engaging in high-risk and high-leverage investments: None.

2. Loaning funds to others: The loaning of funds within the group to others refers to the provision of financial loans between parent and subsidiary companies. It is handled in accordance with the established procedures for loaning funds to others.

3. Endorsement and guarantees: The company's handling of endorsement and guarantees are in accordance with the provision of procedures for endorsement and guarantees of the company. To meet the financing needs of subsidiary companies, the company provides endorsement and guarantees, with the amount not exceeding 40% of the net value in the latest Financial Statement.

4. Derivative trading: The Company has established procedures for handling derivative transactions, which regulate related strategies of foreign exchange operations, and control processes to monitor foreign exchange fluctuations.

(3) Future R&D plans and the estimated amount of R&D expenses to be invested:

1. In response to the low-carbon transition in global industries and the goals on net-zero carbon emissions for the textile industry, the future product R&D will be orientated in environmental friendly

sustainability. We will actively explore new environmental friendly products in line with the concept of circular economy and continue to increase the development and sales ratio on low-carbon, energy-saving, environmental-friendly, and material-recycling products.

We will upgrade R&D systems, proactively recruit senior R&D talents, introduce interdisciplinary integration on R&D resources in collaboration with local and international research units and consulting specialists, and perform eco-friendly material researches as well as technical optimization of low-carbon manufacturing. In the meantime, we will plan on new product achievements and patented technologies to develop more environmentally friendly and sustainable low-carbon materials and establish a forward-looking layout in the field of environmentally friendly and functional textiles.

We will introduce international environmental verification and evaluation tools and establish the product digital platform to assist the R&D team in evaluating the environmental impact of new materials during the early stages of product design and development. By constantly expanding more product lines that fulfill environmental certification, the Company's image in eco-friendly and green energy products can be enhanced and application markets of new products can be explored.

2. The estimated amount of R&D expenses to be invested composes of 1.5%~2.5% of the operating expense ratio.
- (4) Impact on the company's financial operations by significant domestic and foreign policies and legal changes and response measures to it:

The company constantly pays attention to significant domestic and foreign policy and legal changes and collects relevant information to provide the management level as references in decision-making. This can help to adjust the company's operational strategies accordingly. In the recent fiscal year, there have been no significant domestic and foreign policy and legal changes that have affected the company's financial operations.
- (5) Impact on finance and business of the company by changes in technology (including information security risks) and industry, and response measures to it:

The company continues to research and develop new products and improve customer satisfaction. We also pay attention to industry trends and market information, evaluating their impacts on the company's operations to maintain market competitiveness.

The company regularly reviews and evaluates risk levels related to information security and adopts risk management proposals accordingly.

In the recent fiscal year, changes in technology and the industry have not affected the company's financial operations.
- (6) Impact on corporate risk management by changes on corporate image and response measures to it:

The company has been dedicated to maintaining its corporate image for years and complied with the provision of the law. To date, there have been no circumstances that would affect the corporate image of the company.
- (7) Expected benefits and potential risks for mergers and acquisitions and response measures to them: N/A
- (8) Expected benefits, and potential risks for expanding the factory plant and response measures to them:

The expansion of the factory plant can enhance productivity and the capacity to receive more orders from customers, leading to an increase in revenue and profits and also an opportunity to expand the market share. Once production capacity reaches an economy of scale, the production costs can also be reduced significantly.

When idle capacity is generated, it is still necessary to allocate for depreciation of the factory equipment. This risk will become one of the burdens for the company.

The expansion of production capacity is carried out through meticulous planning of capital expenditure. The management team strictly evaluates its cost-effectiveness and traces its implementation results to assist the company's strategy in long-term development, financial planning, and operational performance.
- (9) Risks of the concentration of purchases or sales and response measures to them:

The company has established good cooperative relationships with suppliers, and the supply of main raw materials is provided by at least two suppliers, thus minimizing the risk of concentrated procurement. Moreover, the company has developed strong partnerships with its top ten customers, which mitigates the risk of sales concentration.
- (10) Impacts and risks regarding significant transfer or replacement of shares by directors, supervisors, or major shareholders with shareholding over 10%, and response measures to them:

The Chairman and other directors of the company have long-term participation in decision-making discussions of the company, focusing on core business operations. To date, the company has no significant risks from substantial transfer or replacement of equities.
- (11) Impacts and risks from the change of management rights and response measures to them: None
- (12) Litigation or non-litigation events: None
- (13) Other significant risks and response measures to them:

The company has established emergency response plans and recovery plans for the detection and prevention of business risks, in order to achieve sustainable business operations.

7.7 Other Important Matters: None

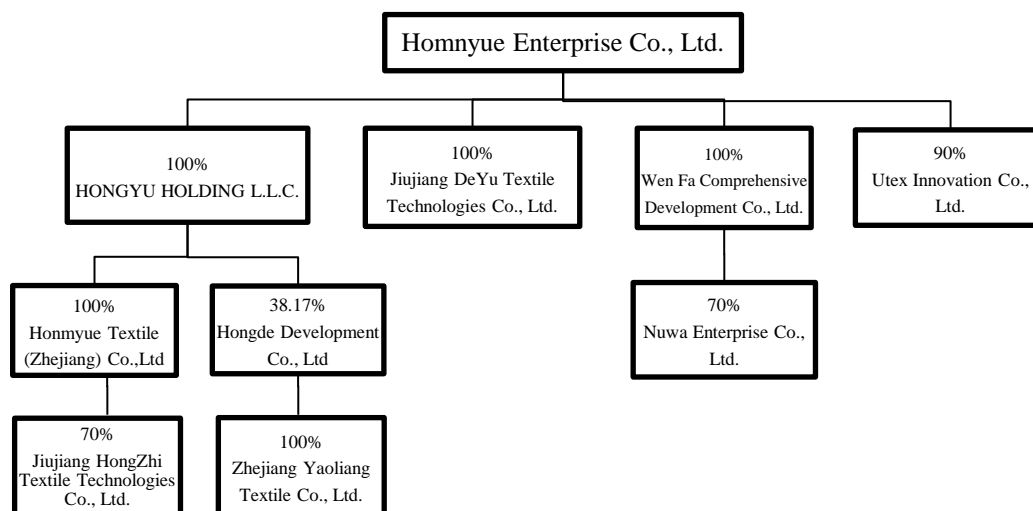
8. Special Disclosure

8.1 Summary of Affiliated Enterprises:

(1) Affiliated enterprise Consolidated Business Report

Affiliated enterprise overview

1. Organizational chart of affiliated enterprises



2. Basic information of affiliated enterprises

Name of enterprise	Establishment date (A.D.)	Address	Paid-in capital (Note) (Unit: Thousand NTD)	Major business or production items
HONGYU HOLDINGS L.L.C.	2001.6.28	1521Concord Pike, Suite 201, Wilmington, DE19803, New Castle County, U.S.A.	681,716	Engaging in investments in Mainland China and other foreign countries, and is the offshore holding company of the company.
Honmyue Textile (Zhejiang) Co.,Ltd	2004.6.28	268 Jiahu Road, Xiuzhou District, Jiaxing City	525,056	Manufacturing and sales of cotton-silk fabric products
Hongde Development Co., Ltd	2006.6.16	Room 2210, 22/F, China Insurance Group Building, 141Des Voeux Road Central, Central, Hong Kong	160,920	Professional investments
Zhejiang Yaoliang Textile Co., Ltd.	2007.1.31	268 Jiahu Road, Xiuzhou District, Jiaxing City	52,199	Dyeing and post-processing of high-end textile fabrics
Wen Fa Comprehensive Development Co., Ltd.	2014.10.30	1F., No. 503, Sec. 1, Zhongzheng Rd., Changhua City	60,000	Professional investments
Nuwa Enterprise Co., Ltd.	2012.2.1	2F.-6, No. 360-2, Nanjing W. Rd., Datong Dist., Taipei City	40,000	International trading and sales of textile fabrics
Utex Innovation Co., Ltd.	2018.7.25	No. 7, Gongxi 2nd Rd., Xidi Village, Shengang Township, Changhua County	120,000	Dyeing and post-processing of high-end textile fabrics
Jiujiang DeYu Textile Technologies Co., Ltd.	2018.12.10	North of North 4th Rd., East of Chuangye Ave., Fenglin Industrial New Dist., Dean County, Jiujiang City, Jiangxi Province	497,076	Dyeing and post-processing of high-end fabrics
Jiujiang HongZhi Textile Technologies Co., Ltd.	2023.11.13	North of North 4th Rd., East of Chuangye Ave., Fenglin Industrial New Dist., Dean County, Jiujiang City, Jiangxi Province	21,612	Dyeing and post-processing of high-end fabrics

Note: All The figures in this table that involve foreign currencies are presented in NTD based on the relevant exchange rate as of the date of the balance sheet.

3. According to Article 369-3 of the Company Act, if there are any presumed controlled and affiliated parties: None
4. The overall business scope of affiliated enterprises: Textile and fabrics manufacturing and import and export trading.
5. Information on directors and supervisors of affiliated enterprises, dated on 31st December 2023.

Name of company	Title	Name or representative	Shares held	
			Capital contribution (Thousand NTD) (Note1)	Percentage
HONGYU HOLDINGS L.L.C.	Chairman	Ye Ming-Zhou (葉明洲)	681,716	100%
Honmyue Textile (Zhejiang) Co., Ltd	Chairman Director Director Supervisor	Ye Jun-Lin (葉俊麟) Hong Jin-Chang (洪錦昌) Ye Min-Chao (葉閔超) Lin Hui-Zhu (林惠珠)	536,721	100%
Hongde Development Co., Ltd	Chairman	Zheng Shu-Fen (鄭淑芬)	60,580	38.17%
Zhejiang Yaoliang Textile Co., Ltd.	Chairman	Ye Ming-Long (葉明隆)	65,692	38.17%
Wen Fa Comprehensive Development Co., Ltd.	Chairman	Ye Bo-Yu (葉博宇)	60,000	100%
Nuwa Enterprise Co., Ltd.	Chairman Supervisor	Lin Hui-Zhu (林惠珠) Zheng Jin-He (鄭金和)	28,000	70%
Utex Innovation Co., Ltd.	Chairman Supervisor	Yang Wei-Ran (楊惟然) Zhuo Su-Qing (卓素卿)	208,000	90.00%
Jiujiang DeYu Textile Technologies Co., Ltd.	Chairman Director Director Supervisor	Ye Min-Chao (葉閔超) Cai You Dian (蔡佑典) Cai Guo-Liang (蔡國樑) Zhuo Su-Qing (卓素卿)	497,590	100%
Jiujiang HongZhi Textile Technologies Co., Ltd. (Note 2)	Chairman Supervisor	Ye Jun-Lin (葉俊麟) Lin Jia-Peng (林嘉鵬)	15,128	70%

Note1: ①Capital contributions listed in this table are direct or indirect investments by the Taiwan parent company.

②The accumulated amount of investments is converted based on the exchange rate of the original investment.

Note 2: Invested through Honmyue Textile (Zhejiang) Co., Ltd.

6. The financial status and operation results of affiliated enterprises
Summary of the operation of affiliated enterprises in 2023

Unit: NTD Thousand

Name of Enterprise	Paid-in capital (Note)	Total assets	Total liabilities	Net	Operating Revenue	Operating Profits	Net profit or loss in the current period
HONGYU HOLDINGS L.L.C.	586,466	446,250	133	446,117	0	0	(17,887)
Honmyue Textile (Zhejiang) Co.,Ltd	549,797	647,510	201,360	446,150	603,366	(54,986)	(17,888)
Wen Fa Comprehensive Development Co., Ltd.	60,000	69,630	299	69,331	0	(183)	8,384
Nuwa Enterprise Co., Ltd.	40,000	110,998	61,287	49,711	200,648	10,909	9,303
Utex Innovation Co., Ltd.	120,000	113,312	35,623	77,689	102,238	(16,365)	(15,458)
Jiujiang DeYu Textile Technologies Co., Ltd.	497,076	572,583	123,302	449,281	73,698	(24,111)	(24,422)
Jiujiang HongZhi Textile Technologies Co., Ltd.	21,612	21,612	0	21,612	0	0	0

Note: All The figures in this table that involve foreign currencies are presented in NTD based on the relevant exchange rate as of the date of the balance sheet

- (2) Consolidated Financial Statements of affiliated enterprises: Please refer to "Attachment 1: The Financial Statement of the most recent fiscal year". (pp. 90~155)
- (3) Report of Affiliated Enterprises: Please refer to "Attachment 1: The Financial Statement of the most recent fiscal year". (pp. 90~155)

8.2 Private placement securities in the most recent fiscal year and as of the date of publication of the Annual Report: None

8.3 Acquisition and disposal of shares of the company by subsidiaries in the most recent fiscal year and as of the date of publication of the Annual Report: None

8.4 Other necessary supplementary notes: None

9. Events with significant impact on shareholder equity or prices of securities as referred to in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent fiscal year and as of the date of publication of the Annual Report: None

【Attachment 1】 The Financial Statement of the Most Recent Fiscal Year

Honmyue Enterprise Co., Ltd.

Declaration of Consolidated Financial Statements of Affiliated Companies

We hereby declare that for the fiscal year 2023 (covering the period from January 1, 2023 to December 31, 2023), the companies required to prepare consolidated financial statements for affiliated companies, as stipulated under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and International Financial Reporting Standard No. 10, are identical. In addition, the information that is required to be disclosed in the consolidated financial statements for affiliated companies has been comprehensively disclosed in the consolidated financial statements for parent and subsidiary companies. As such, we have determined that the preparation of separate consolidated financial statements for affiliated companies is not necessary.

Hereby Declare

Honmyue Enterprise Co., Ltd.

Chairman: YEH, MING-ZHOU

March 8, 2024

Independent Auditors' Report

(2024) Ministry of Finance approved No. 23004970

The Board of Directors and Shareholders

Honmyue Enterprise Co., Ltd.

Opinion

We have conducted an audit on the consolidated financial statements of Honmyue Enterprise Co., Ltd. and subsidiaries (referred to as the "Group") for the year ended December 31, 2023 and 2022, which include the consolidated 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 consolidated financial statements, which contain a summary of significant accounting policies.

In our opinion, the consolidated financial statements presented herein, which were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, fairly present the consolidated financial position of the Group as of December 31, 2023 and 2022, as well as its consolidated financial performance and consolidated 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 Consolidated 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 the Group, 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 the Group's consolidated financial statements for the year 2023. These matters were addressed as part of our overall audit of the consolidated financial statements, and we do not express a separate opinion on them.

The key audit matters for the Group's consolidated 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(29) in the Consolidated Financial Statements. For statement of operating revenue, please refer to Note 6(19). The Group 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. Therefore, the cutoff date for revenue from sales is regarded as one of the key audit matters to be audited this year.

Audit Procedure (How our audit addressed the matter)

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

1. Obtain 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. Verify 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(14) in the consolidated financial statements. For the significant accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 in the consolidated financial statements. For the explanation of inventory provision for impairment, please refer to

Note 6(4) in the consolidated financial statements. As of December 31, 2023, the inventory and allowance for inventory valuation losses of the Group amounted to NT\$986,731 thousand and NT\$112,201 thousand, respectively.

The Group 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 Group 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 the Group and that the valuation of inventory at net realizable value at the balance sheet date requires judgement and estimation, the assessment of the provision for inventory valuation losses is regarded as one of the key audit matters to be audited this year

Audit Procedure (How our audit addressed 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 the Group, evaluate the reasonableness of its inventory provision policy for assessing inventory impairment losses.
2. Review the annual inventory counting plan of the Group 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 Group'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.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of Honmyue Enterprise Co., Ltd. as at and for the years ended December 31, 2023

and 2022.

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

Management is responsible for preparing the consolidated financial statements in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and maintaining adequate internal controls related to the preparation of the consolidated financial statements to ensure that there are no significant misrepresentations due to fraud or error.

Management is responsible for evaluating the Group's ability to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting when preparing the consolidated 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 audit committee are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

The purpose of our audit of the consolidated 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 consolidated 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 the Group.
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 the Group'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 Group's inability to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the related disclosures, and determine whether the consolidated 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 the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the group audit, and for forming an opinion on the consolidated 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 the Group's consolidated 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. AND SUBSIDIARIES

Consolidated 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)	\$ 431,458	12	\$ 630,487	16
1110	Financial assets at fair value through profit or loss - current	6(2)	15,256	-	9,127	-
1150	Notes receivable	6(3), 8	89,561	2	76,085	2
1160	Notes receivables - related parties	7(2)	220	-	296	-
1170	Accounts receivable	6(3)	513,350	14	384,883	10
1180	Accounts receivable - related parties	7(2)	1,604	-	40,681	1
1200	Other receivables	7(2)	34,350	1	34,084	1
130X	Inventories	6(4)	874,530	23	814,860	21
1410	Prepayments	6(5)	153,005	4	149,755	4
1470	Other current assets		1,788	-	3,285	-
11XX	Total current asset		<u>2,115,122</u>	<u>56</u>	<u>2,143,543</u>	<u>55</u>
	NONCURRENT ASSET					
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(6)	64,638	2	59,718	2
1535	Financial assets carried at amortized cost - noncurrent	8	13,462	-	11,600	-
1550	Investment accounted for using equity method	6(7)	128	-	128	-
1600	Property, plant and equipment	6(8), 8	1,408,738	38	1,492,068	38
1755	Right-of-use assets	6(9)	64,604	2	70,076	2
1780	Intangible assets		11,829	-	21,421	1
1840	Deferred tax assets	6(25)	42,587	1	42,955	1
1900	Other noncurrent assets	8	43,895	1	41,069	1
15XX	Total noncurrent asset		<u>1,649,881</u>	<u>44</u>	<u>1,739,035</u>	<u>45</u>
1XXX	TOTAL ASSET		<u>\$ 3,765,003</u>	<u>100</u>	<u>\$ 3,882,578</u>	<u>100</u>

(Continued)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated 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(10)	\$ 341,029	9	\$ 238,361	6
2110	Short-term notes and bills payable	6(11)	29,923	1	-	-
2130	Current contract liabilities	6(19)	25,287	1	25,257	1
2150	Notes payable	7(2)	92,087	2	122,160	3
2170	Accounts payable	7(2)	210,023	6	143,740	4
2200	Other payables	6(12), 7(2)	185,692	5	208,318	5
2230	Current income tax liabilities		12,196	-	37,909	1
2320	Long-term liabilities within one year or one business cycle	6(14)	153,999	4	170,666	4
2399	Other current liabilities	6(9), 9	67,847	2	28,794	1
21XX	Total current liabilities		<u>1,118,083</u>	<u>30</u>	<u>975,205</u>	<u>25</u>
	NONCURRENT LIABILITIES					
2530	Bonds payable	6(13)	295,720	8	287,569	7
2540	Long-term loan	6(14)	196,357	5	350,357	9
2570	Deferred tax liabilities	6(25)	67,569	2	68,184	2
2600	Other noncurrent liabilities	6(9)(15)(20)	54,094	1	64,391	2
25XX	Total noncurrent liabilities		<u>613,740</u>	<u>16</u>	<u>770,501</u>	<u>20</u>
2XXX	Total liabilities		<u>1,731,823</u>	<u>46</u>	<u>1,745,706</u>	<u>45</u>
	EQUITIES					
	Equities attrib. to owner of the parent					
	Share capital	6(16)				
3110	Ordinary shares		1,298,970	35	1,298,970	33
	Capital reserve	6(17)				
3200	Capital reserve		50,735	1	50,735	1
	Retained earnings	6(18)				
3310	Legal reserve		239,318	6	231,804	6
3320	Special Reserve		182,752	5	182,752	5
3350	Unappropriated retained earnings		315,361	8	419,140	11
	Other equity interest					
3400	Other equity interest		(83,123)	(2)	(68,169)	(2)
31XX	Equity attrib. to owners of the parent		<u>2,004,013</u>	<u>53</u>	<u>2,115,232</u>	<u>54</u>
36XX	Non-controlling interests		<u>29,167</u>	<u>1</u>	<u>21,640</u>	<u>1</u>
3XXX	Total equity		<u>2,033,180</u>	<u>54</u>	<u>2,136,872</u>	<u>55</u>
	Material contingent liabilities and 9 unrecognized contractual commitments					
	Significant subsequent events	11				
3X2X	Total liabilities and equity		<u>\$ 3,765,003</u>	<u>100</u>	<u>\$ 3,882,578</u>	<u>100</u>

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

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

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

(In Thousands of New Taiwan Dollars)
(Except for earnings (loss) per share expressed in New Taiwan Dollar)

Item	Notes	2023		2022	
		Amount	%	Amount	%
4000 Operating Revenue	6(19), 7(2)	\$ 2,685,726	100	\$ 3,189,020	100
5000 Operating costs	6(4), 7(2)	(2,474,942)	(92)	(2,782,976)	(87)
5900 Operating margin		<u>210,784</u>	<u>8</u>	<u>406,044</u>	<u>13</u>
Operating expenses	6(23)(24)				
6100 Sales and marketing expenses		(105,608)	(4)	(115,847)	(4)
6200 General and administrative expenses		(147,776)	(6)	(171,075)	(5)
6300 Research and development expenses		(53,995)	(2)	(62,250)	(2)
6450 Expected credit impairment loss	12(2)	<u>4,828</u>	<u>-</u>	<u>2,017</u>	<u>-</u>
6000 Total Operating Expenses		<u>(302,551)</u>	<u>(12)</u>	<u>(347,155)</u>	<u>(11)</u>
6900 Operating profit (loss)		<u>(91,767)</u>	<u>(4)</u>	<u>58,889</u>	<u>2</u>
Non-operating income and expenses					
7100 Interest income		6,842	-	5,403	-
7010 Other income	6(20), 7(2)	50,524	2	58,313	2
7020 Other gains and losses	6(21)	18,236	1	4,247	-
7050 Finance costs	6(22)	(25,187)	(1)	(22,186)	(1)
7000 Total non-operating income		<u>50,415</u>	<u>2</u>	<u>45,777</u>	<u>1</u>
7900 Pretax profit (loss)		<u>(41,352)</u>	<u>(2)</u>	<u>104,666</u>	<u>3</u>
7950 Income tax expense	6(25)	(2,026)	-	(24,097)	(1)
8200 Net profit (loss)		<u>(\$ 43,378)</u>	<u>(2)</u>	<u>\$ 80,569</u>	<u>2</u>

(Continued)

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

(In Thousands of New Taiwan Dollars)
(Except for earnings (loss) per share expressed in New Taiwan Dollar)

Item	Notes	2023		2022		
		Amount	%	Amount	%	
Other comprehensive income (net)						
Not reclassified to profit or loss						
8311	Measure on defined benefit plans	6(15)	\$ 1,515	-	(\$ 2,865)	-
8316	Unrealized gains and losses on valuation of investment in equity instruments measured at fair value through other comprehensive income	6(6)	4,920	-	(28,415)	(1)
8349	Income tax related to components that are not reclassified subsequently to profit or loss	6(25)	(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)	-	13,451	1
8360	Total Items that may be reclassified to profit and loss		(18,926)	-	13,451	1
8300	Other comprehensive net gains/losses		<u>(\$ 13,742)</u>	<u>-</u>	<u>(\$ 11,484)</u>	<u>-</u>
8500	Total comprehensive gains/losses		<u>(\$ 57,120)</u>	<u>(2)</u>	<u>\$ 69,085</u>	<u>2</u>
Profit, attrib. to:						
8610	Owners of the parent		(\$ 44,431)	(2)	\$ 77,429	2
8620	Non-controlling interest		1,053	-	3,140	-
	Total		<u>(\$ 43,378)</u>	<u>(2)</u>	<u>\$ 80,569</u>	<u>2</u>
Comprehensive income (loss) attrib. to:						
8710	Owners of the parent		(\$ 58,173)	(2)	\$ 65,945	2
8720	Non-controlling interest		1,053	-	3,140	-
	Total		<u>(\$ 57,120)</u>	<u>(2)</u>	<u>\$ 69,085</u>	<u>2</u>
Earnings (loss) per share						
9750	Basic earnings (loss) per share	6(26)	(\$ 0.34)		\$ 0.60	
9850	Diluted earnings (loss) per share		<u>(\$ 0.34)</u>		<u>\$ 0.56</u>	

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

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Notes	Equity Attributable to Owners of the Parent													
		Capital Surplus			Retained Earnings				Other Equity Interest			Total	Non-controlling interest	Total equity	
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	\$ 18,500	\$2,087,887			
Net income		-	-	-	-	77,429	-	-	-	77,429	3,140	80,569			
Other comprehensive income	6(7)	-	-	-	-	(2,292)	13,451	(22,643)	(11,484)	-	(11,484)				
Total comprehensive income		-	-	-	-	75,137	13,451	(22,643)	65,945	3,140	69,085				
Earnings allocation and distribution in 2021	6(18)														
Legal reserve		-	-	-	14,152	(14,152)	-	-	-	-	-				
Cash dividends		-	-	-	-	(64,948)	-	-	(64,948)	-	(64,948)				
Recognition of stock options as a component of equity due to the issuance of convertible bonds	6(13)(17)	-	-	44,848	-	-	-	-	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	\$ 21,640	\$2,136,872			
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	\$ 21,640	\$2,136,872			
Net income		-	-	-	-	(44,431)	-	-	(44,431)	1,053	(43,378)				

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

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Notes	Equity Attributable to Owners of the Parent									Non-controlling interest	Total equity
		Capital Surplus			Retained Earnings			Other Equity Interest				
		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	Total		
Other comprehensive income		-	-	-	-	-	1,212	(18,926)	3,972	(13,742)	-	(13,742)
Total comprehensive income		-	-	-	-	-	(43,219)	(18,926)	3,972	(58,173)	1,053	(57,120)
Earnings allocation and distribution in 2022	6(18)											
Legal reserve		-	-	-	7,514	-	(7,514)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(51,959)	-	-	(51,959)	-	(51,959)
Increase in non-controlling interests	4(3)	-	-	-	-	-	(1,087)	-	-	(1,087)	7,572	6,485
Decrease in non-controlling interest		-	-	-	-	-	-	-	-	-	(1,098)	(1,098)
Balance at December 31, 2023		<u>\$1,298,970</u>	<u>\$ 5,887</u>	<u>\$ 44,848</u>	<u>\$ 239,318</u>	<u>\$ 182,752</u>	<u>\$ 315,361</u>	<u>(\$ 53,718)</u>	<u>(\$ 29,405)</u>	<u>\$2,004,013</u>	<u>\$ 29,167</u>	<u>\$2,033,180</u>

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

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	Notes	From January 1 to December 31, 2023	From January 1 to December 31, 2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Pretax profit		(\$ 41,352)	\$ 104,666
Adjustments			
Adjustments to reconcile profit(loss)			
Depreciation expense (investment properties and right-of-use assets)	6(21)(23)	95,450	110,654
Amortization expense	6(23)	2,977	2,215
Reversal of expected credit loss recognized in profit or loss	7(2), 12(2)	(4,828)	(2,017)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	832	6,165
Gain on disposal or retirement of property, plant and equipment	6(21)	(8,600)	(1,586)
Gain on tangible asset	6(21)	(19,340)	-
Interest expense	6(22)	25,187	22,186
Interest income		(6,842)	(5,403)
Dividend income	6(20)	(220)	(855)
Government grant income	6(20)	(1,891)	(1,383)
Benefit from lease modification	6(9)	(10)	(5)
Gain on disposal of investments	6(21)	(2,580)	(965)
Unrealized foreign exchange loss		9,458	2,327
Changes in operating assets and liabilities			
Changes in operating assets, net			
Notes receivable - net		(7,697)	120,279
Notes receivable - related party, net		76	1,006
Accounts receivable		(128,667)	86,745
Accounts receivable - related parties		23,769	82,277
Other receivables		13,916	(1,507)
Inventories		(62,993)	119,647
Prepayments		(5,573)	(14,495)
Other current assets		1,497	1,319
Other noncurrent assets		2,183	595
Liabilities net change related to operation activities			
Contract liabilities - current		209	(15,183)
Notes payable		(30,073)	(113,486)
Accounts payable		61,078	(78,802)
Other payables		(12,462)	(19,058)
Other current liabilities		4,234	35
Other noncurrent liabilities		(374)	2,154
Cash inflow from operation activities		(92,636)	407,525
Interest received		220	855
Dividends received		7,249	4,928
Interest paid		(17,038)	(14,783)
Income tax refunded		1,619	2,729
Income tax paid		(30,880)	(31,067)
Net cash flows from operating activities		131,466	370,187

(Continued)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated 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 INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 22,110)	(\$ 16,457)
Disposal of financial assets at fair value through profit or loss		17,729	18,904
Acquisition of financial assets at amortized cost		(2,162)	(4,951)
Disposal of financial assets at amortized cost		300	60,021
Acquisitions of property, plant and equipment	6(27)	(97,339)	(156,293)
Disposal of property, facility and equipment		20,006	1,586
Acquisition of intangible assets		(4,881)	(11,180)
Gain on disposal of tangible assets		26,462	-
Decrease in refundable deposits		335	4,220
Receipt of grants		91,494	25,370
Net cash outflow from investing activities		<u>29,834</u>	<u>(78,780)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		823,059	969,210
Decrease in short-term borrowings		(721,630)	(1,228,693)
Increase in short-term notes and bills payables		270,000	235,000
Decrease in short-term notes and bills payables		(240,000)	(395,000)
Lease principal repayment	6(28)	(1,699)	(2,113)
Issuance of corporate bonds	6(28)	-	321,827
Repayments of long-term borrowings	6(28)	(170,667)	(117,000)
Increase in guarantee deposits received	6(28)	(5,362)	12,786
Cash dividends paid	6(28)	(53,057)	(64,948)
Net Cash outflow from financing activities		<u>(99,356)</u>	<u>(268,931)</u>
Effects of foreign exchange rates		<u>1,959</u>	<u>3,025</u>
Increase (decrease) in cash and cash equivalents		(199,029)	25,501
Cash and cash equivalents, beginning of period		630,487	604,986
Cash and cash equivalents, end of period		<u>\$ 431,458</u>	<u>\$ 630,487</u>

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

Chairman: Yeh, Ming-Zhou

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statement Notes December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars unless otherwise specified)

1. The History of the Company

Established in September 1970, Honmyue Enterprise Co., Ltd. (hereafter referred to as "the Company") and its subsidiaries (hereafter collectively referred to as "the Group") mainly engage in the manufacturing, trading, domestic and international sales of various cotton, wool, silk, and synthetic fiber textiles.

2. Approval date and procedures of the consolidated financial statements

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

3. Application of Newly Released and Revised Standards and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards(IFRS) as endorsed by the Financial Supervisory Commission(FSC).

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<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 Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group.

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<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 Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRS 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 Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC with the effective dates (collectively referred herein as the “IFRSs”)

(2) Basic of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Define benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statement:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group 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. Consolidated of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Components of profit or loss and other comprehensive income are attributed to the owners of the parent and to non-controlling interests; the total comprehensive income is also attributed to the owners of the parent and to non-controlling interests, even if this results in a deficit in the non-controlling interests.
- (d) Changes in ownership interest in a subsidiary that do not result in loss of control (transactions with non-controlling interests) are accounted for as equity transactions, i.e. as transactions with the owners of the parent. The difference between the adjustment to the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of subsidiaries, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of the subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>		<u>Notes</u>
			<u>December 31, 2023</u>	<u>December 31, 2022</u>	
The Company	Hongyu Holding L.L.C.	Re-investment	100%	100%	
The Company	Wenfa Development L.L.C.	Professional Investment and Medical equipment retail	100%	100%	
The Company	Utex Innovation Co., LTD.	High-end woven fabric dyeing, finishing, and processing.	90%	86.67%	(2)
The Company	Jiujiang Deyu Textile Technology Co., Ltd.	High-end woven fabric dyeing, finishing, and processing.	100%	100%	(1)
Hongyu Holding L.L.C.	Hongyu Textile Zhejiang Co., Ltd.	Manufacturing and selling silk fiber products and finishing processes.	100%	100%	
Wenfa Development L.L.C.	Nuwa Enterprise Co., Ltd.	Outsourced processing and sales of finished fabrics.	70%	70%	
Hongyu Textile Zhejiang Co., Ltd.	Jiujiang Hongzhi Textile Technology Co., Ltd.	High-end woven fabric dyeing, finishing, and processing.	70%	-	(3)

Due to the overall operational development needs of the Group:

- (a) Investment in Jiujiang Deyu Textile Technology Co., Ltd. :
 - i. Total of CNY 200 million (equivalent to NT\$892.5 million based on the exchange rate at the time of the transaction) was remitted for investment in Jiujiang Deyu Textile Technology Co., Ltd. in June and July 2022
 - ii. As of December 31, 2023, the accumulated investment amount was CNY 1.15 billion.
- (b) Investment in Utex Innovation Co., LTD.
 - i. On March 24, 2023, Utex Innovation Co., Ltd. resolved at the board of directors meeting to carry out a capital reduction to offset losses amounting to NT\$60,000 thousands, resulting in a decrease of NT\$52,000 thousands in the investment.
 - ii. On March 24, 2023 and May 12, 2023, Utex Innovation Co., Ltd. and the Board of Directors of the Group respectively passed a resolution to increase capital by NT\$30,000 thousand. As the Group did not subscribe to the full amount according to its shareholding ratio, its shareholding percentage increased to 90%, resulting in the retained earnings decreased by NT\$1,087 thousand.
- (c) Investment in Jiujiang Hongzhi Textile Technology Co., Ltd.
Hongyu Textile (Zhejiang) Co., Ltd. remitted a total of CNY 3,500 thousand in investment funds in December 2023 to invest in Jiujiang Hongzhi Textile Technology Co., Ltd.

C. Subsidiaries not included in the consolidated financial statements:

None

D. Adjustments for subsidiaries with different balance sheet dates:

None

E. Significant restrictions:

None

F. Subsidiaries with non-controlling interests that are material to the Group:

None

(4) Foreign Currency Translation

Items enlisted in the financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency”). The consolidated financial statements are presented in the functional currency of the Group, which is the New Taiwan Dollar.

A. Foreign Currency Transactions and Balances:

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other

comprehensive income are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other gains and losses”.

B. 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:

- i. Assets and liabilities presented in each balance sheet are converted using the closing exchange rate on the balance sheet date
- ii. Revenues and expenses presented in each income statement are converted using the average exchange rate for the period
- iii. 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

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

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes.

(c) Assets that are expected to be realized within twelve months from the balance sheet date.

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The group will classify all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the consolidated balance sheet date. Terms of a liability that could, at the twelve months after the consolidated balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The group will classify all liabilities that do not meet the above criteria as non-current.

(6) 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.

(7) Financial Assets at Fair Value through Profit or Loss

- A. Refers to financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income.
- B. Trade date accounting for financial assets measured at fair value through profit or loss that meet customary trading criteria is used by the Group.
- C. The group 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.
- D. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, and the economic benefits related to dividends are likely to flow in, and the amount of dividends can be reliably measured.

(8) Financial Assets Measured at Amortized Cost

- A. 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.
- B. Trade date accounting to financial assets measured at amortized cost that meet trading customary trading criteria is used by the Group.
- C. The Group 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) Financial Assets Measured at Fair Value through Other Comprehensive Income

- A. 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.
- B. Trade date accounting to financial assets measured at fair value through other comprehensive income that meet trading customary trading criteria is used by the Group.
- C. When initially recognized, the Group 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 Group, and the dividend amount can be reliably measured, the Group recognizes dividend income in profit or loss.

(10) Accounts and Notes Receivable

- A. 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.
- B. For short-term accounts and notes receivable without interest, the impact of discounting is not significant, the Group measures them at the original invoice amount.

(11) Impairment of Financial Asset

The Group 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 Group recognizes an allowance for expected credit losses based on the lifetime expected credit loss amount.

(12) Derecognition of Financial Assets

When the Group's contractual rights to receive cash flows from a financial asset have expired, the financial asset is derecognized.

(13) 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.

(14) Inventories

Inventory is accounted for using the perpetual inventory system, with costs calculated using the weighted average method. Fixed manufacturing overhead is allocated based on the normal production capacity of the equipment, while any unallocated fixed manufacturing overhead is recognized as cost of goods sold in the period incurred. Inventory is measured at the lower of cost or net realizable value at the end of each period, with a comparison of the cost and net realizable value made using the individual-item approach. 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.

(15) Investments in Equity Method - Associated Companies

- A. An associated company refers to an entity in which the Group has significant influence but not control, typically through direct or indirect ownership of more than 20% of the voting rights. The Group accounts for its investment in associated companies using the equity method and recognizes the investment at cost upon acquisition.
- B. The Group recognizes its share of profit or loss of an associate in the income statement and its share of other comprehensive income of an associated company in other comprehensive income after its acquisition. If the Group's share of losses in an associate equal or exceeds its interest in that associate (including any other receivable that is not secured), the Group does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. 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 Group will recognize the equity change attributed to the Group's interest in the associated company in proportion to its shareholding as "Capital Surplus".
- D. Unrealized gains and losses resulting from transactions between the Group 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 Group.

- E. When the Group disposes of an associated enterprise 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 Group'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 group 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.

(16) Property, Plant and Equipment

- A. Property, plant, and equipment are recorded at acquisition cost and interest related to the acquisition or construction period is capitalized.
- B. 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 Group 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.
- C. 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.
- D. The Group 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 20 years
 - Transportation equipment: 2 to 10 years
 - Office equipment: 3 to 10 years
 - Other assets: 2 to 20 years

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

- A. When a leased asset becomes available for use by the Group, 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.
- B. 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 Group. 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.

- C. 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.
- (d) 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.

(18) Intangible Assets

- A. Computer software is recognized at cost and is amortized on a straight-line basis over its estimated useful life of 2 to 5 years.
- B. Pollution rights are recognized at cost and are amortized on a straight-line basis over their useful life of 20 years.

(19) Impairment of Non-financial Assets

The Group 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 Group 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

- A. Refers to liabilities incurred for the purchase of raw materials, goods, or services and for

operating and non-operating expenses payable by notes.

B. 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 Group.

(22) Convertible Bonds Payable

Convertible bonds payable issued by the Group 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:

- A. 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”.
- B. 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.
- C. 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.
- D. 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.
- E. 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) De-recognition 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 sheet.

(25) Employee Benefits

A. 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.

B. 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

i. 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.

ii. 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.

iii. The related expenses of prior service cost are recognized immediately in profit or loss.

C. 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 Group 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.

D. Employee, Director and Supervisor's Compensation

Employees', directors', supervisors' compensation are 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

A. 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.

B. The Group 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.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and does not generate equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. 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.

- E. When there is a legal right to offset the recognized current income tax assets and liabilities and there is an intention to settle the net amount or simultaneously realize assets and settle liabilities on a net basis, then the current income tax assets and liabilities shall be offset. If there is a legal right to offset the current income tax assets and liabilities and there is an intention to settle the net amount on a net basis or simultaneously realize the asset and settle the liability, and the deferred income tax assets and liabilities are levied on income tax by the same tax authority as the same taxpayer, the deferred income tax assets and liabilities shall be offset.
- (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
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) Revenue Recognition
Sales of goods
- A. The main business of the Group 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 Group 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.
- B. 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 Group does not adjust transaction prices to reflect the time value of money.
- C. The contract liability for customer prepayments in the sales contract of the Group is recognized as revenue when control of the product is transferred to the customer.
- (30) Government Grants
Government grants are recognized at fair value when it is reasonably certain that the entity will comply with the conditions attached to the grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the grant is recognized as income in the statement of comprehensive income systematically on a basis consistent with the recognition of the related expenses.
- (31) Operating Segments
The information of the operating segments of the Group provided to the primary operating decision-makers in the internal management report is reported consistently. The primary operating decision-makers are responsible for allocating resources to the operating segments and evaluating their performance.

5. Main Sources of Significant Accounting Judgments, Estimates, and Assumptions Uncertainty

When preparing the consolidated financial statements, the management of the Group 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 Group needs to exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date. The Group 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.

As of December 31, 2023, the carrying amount of inventory was NT\$874,530 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	\$ 1,377	\$ 4,995
Checking Deposits and Current Deposits	357,771	435,820
Time Deposits	<u>72,310</u>	<u>189,672</u>
Total	<u>\$ 431,458</u>	<u>\$ 630,487</u>
Interest Rate Range		
Time Deposit	<u>1.10%~5.50%</u>	<u>1.20%~4.35%</u>

1. The financial institutions with which the Group has transactions have good credit quality, and the Group 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 Group 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\$13,462 thousand and NT\$11,600 thousand, respectively. .

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

	<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		
Listed Company Stock	\$ 18,512	\$ 11,551
Convertible Bonds Redemption Rights	3,270	3,270
Revaluation Adjustments	<u>(6,526)</u>	<u>(5,694)</u>
Subtotal	<u>\$ 15,256</u>	<u>\$ 9,127</u>

A. 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 mandatorily measured at fair value through profit or loss	(\$ <u>832</u>)	(\$ <u>6,165</u>)

B. The Group 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>89,561</u>	\$ <u>76,085</u>
Accounts Receivable	\$ <u>516,335</u>	\$ <u>395,275</u>
Less: allowance for doubtful accounts	(<u>2,985</u>)	(<u>10,392</u>)
	<u>\$ 513,350</u>	<u>\$ 384,883</u>

A. The ageing analysis of notes receivable and accounts receivable that is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Account Receivable</u>	<u>Note Receivable</u>	<u>Account Receivable</u>	<u>Note Receivable</u>
Not Overdue	\$ 494,218	\$ 89,561	\$ 382,945	\$ 76,085
1-90 days	18,560	-	6,434	-
91-180 days	1,459	-	897	-
Over 181 days	2,098	-	4,999	-
	<u>\$ 516,335</u>	<u>\$ 89,561</u>	<u>\$ 395,275</u>	<u>\$ 76,085</u>

The aging analysis based on the number of days overdue.

- B. 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 trade receivable and account receivable from customer contracts were NT\$481,326 thousand and NT\$194,509 thousand, respectively.
- C. Assuming no collateral or other credit enhancements, the maximum credit risk exposure of the Group's accounts receivable from promissory notes was NT\$89,561 thousand and NT\$76,085 thousand as of December 31, 2023 and 2022, respectively. The maximum credit risk exposure of the Group's accounts receivable was NT\$513,350 thousand and NT\$384,883 thousand as of December 31, 2023 and 2022, respectively.
- D. Related credit risk information on notes receivable and account receivable can be found in Note 12(2).

(4) Inventories

	<u>December 31, 2023</u>		
	Cost	Allowance for Doubtful Accounts And Impairment Loss	Book Value
Raw Materials	\$ 263,916	(\$ 15,143)	\$ 248,773
Material	3,409	-	3,409
Work in Process	137,497	(842)	136,655
Finishing Goods	581,909	(96,216)	485,693
Total	<u>\$ 986,731</u>	<u>(\$ 112,201)</u>	<u>\$ 874,530</u>
	<u>December 31, 2022</u>		
	Cost	Allowance for Doubtful Accounts And Impairment Loss	Book Value
Raw Materials	\$ 229,872	(\$ 12,993)	\$ 216,879

Material	3,361	-	3,361
Work in Process	131,128	(1,856)	129,272
Finishing Goods	<u>562,425</u>	<u>(97,077)</u>	<u>465,348</u>
Total	<u>\$ 926,786</u>	<u>(\$ 111,926)</u>	<u>\$ 814,860</u>

The Inventory Cost Recognized by the Group as Expenses in the Current Period:

	<u>2023</u>	<u>2022</u>
Cost of Goods Sold	\$ 2,462,858	\$ 2,787,576
Inventory Write-Down and Reversal of Provisions for Inventory Obsolescence	1,152	(2,071)
Inventory Loss (Gain)	2,264	(1,219)
Sales of Scraps	(16,937)	(20,804)
Unamortized Fixed Manufacturing Overhead	<u>25,605</u>	<u>19,494</u>
	<u>\$ 2,474,942</u>	<u>\$ 2,782,976</u>

The inventory turnover benefit for the Group in 2022 refers to the increase in net realizable value of inventory due to the disposal of inventory previously written down for losses.

(5) Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deferred Tax Assets	\$ 120,015	\$ 93,898
Advances to Suppliers	14,944	36,816
Other Prepaid Expenses	<u>18,046</u>	<u>19,041</u>
	<u>\$ 153,005</u>	<u>\$ 149,755</u>

(6) Financial Assets at Fair Value through Other Comprehensive Income - Non-current

	<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>

- A. The Group 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.
- B. 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>
Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments		
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>

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

(7) Investments Accounted using the Equity Method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Honglongfa Development	\$ 128	\$ 128
Hongde Development	-	-
	<u>\$ 128</u>	<u>\$ 128</u>

Individually insignificant affiliated companies of the Group are presented below:

<u>Company</u>	<u>Region</u>	<u>Shareholding %</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Honglongfa Development Co., Ltd. (Note 1)	Taiwan	37.50%	37.50%
Hongde Development Co., Ltd. (Note 2)	Hong Kong	38.17%	38.17%

Note 1: Approved for dissolution registration by the Ministry of Economic Affairs on July 30, 2021, but is still in the process of liquidation.

Note 2: The Group has recognized investment losses on affiliated companies up to the carrying amount of the investments accounted for using the equity method; therefore, no further losses are recognized.

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(8) Property, Plant, and Equipment

	2023						Ending Balance
	Beginning Balance	Increase	Decrease	Transfer	Exchange Rate Impact		
Cost							
Land	\$ 363,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,610
Building	738,857	136(	10,215)	(81,682)	(4,587)		642,509
Machinery and Equipment	1,132,000	24,844(	296,318)	279,682	(8,335)		1,131,557
Transportation and Equipment	35,341	780(	4,870)	746	(241)		31,756
Office Equipment	14,676	1,275(	1,424)	402	(73)		14,856
Other Equipment	161,248	3,452(	13,411)	2,878	(558)		153,609
Leased Assets – Land and Building	38,612	-	-	81,682	(2,192)		118,102
Idle Assets	103,592	-	-	(94,917)	(409)		8,266
Construction in Progress/ Equipment under Testing	384,416	49,073	-	(180,874)	(5,266)		247,349
	<u>\$ 2,972,352</u>	<u>\$ 79,560</u>	<u>(\$ 326,238)</u>	<u>\$ 7,601</u>	<u>(\$ 21,661)</u>		<u>\$ 2,711,614</u>
Accumulated Depreciation							
Building and Construction	(\$ 431,032)	(\$ 22,335)	\$ 2,127	\$ 51,889	\$ 2,941		(\$ 396,410)
Machinery and Equipment	(806,606)	(49,120)	226,096	(36,327)	5,238		(660,719)
Transportation and Equipment	(26,907)	(2,287)	4,758	(541)	219		(24,758)
Office Equipment	(10,695)	(964)	1,353	(208)	52		(10,462)
Other Equipment	(129,897)	(6,668)	24,790	(6,787)	269		(118,293)
Leased Assets – Land and Building	(23,607)	(5,763)	-	(51,889)	1,474		(79,785)
Idle Assets	(51,540)	(5,089)	-	43,863	317		(12,449)
	<u>(\$ 1,480,284)</u>	<u>(\$ 92,226)</u>	<u>\$ 259,124</u>	<u>\$ -</u>	<u>\$ 10,510</u>		<u>(\$ 1,302,876)</u>
	<u>\$ 1,492,068</u>						<u>\$ 1,408,738</u>

Cost	2022						Ending Balance
	Beginning Balance	Increase	Decrease	Transfer	Exchange Rate Impact		
Land	\$ 363,610	\$ -	\$ -	\$ -	\$ -	\$ 363,610	
Building and Construction	725,885	3,578	-	4,584	4,810	738,857	
Machinery and Equipment	1,181,223	17,034	(21,012)	(53,005)	7,760	1,132,000	
Transportation and Equipment	33,962	1,430	-	(256)	205	35,341	
Office Equipment	14,775	540	(264)	(429)	54	14,676	
Other Equipment	175,050	7,593	(70)	(22,259)	934	161,248	
Leased Assets	38,000	-	-	-	612	38,612	
Idle Assets	3,019	-	-	100,868	(295)	103,592	
Construction in Progress /Equipment under Testing	283,956	121,356	-	(25,499)	4,603	384,416	
	<u>\$ 2,819,480</u>	<u>\$ 151,531</u>	<u>(\$ 21,346)</u>	<u>\$ 4,004</u>	<u>\$ 18,683</u>	<u>\$ 2,972,352</u>	
Accumulated Depreciation							
Building and Construction	(\$ 401,389)	(\$ 27,019)	\$ -	\$ -	(\$ 2,624)	(\$ 431,032)	
Machinery and Equipment	(800,396)	(62,732)	21,012	41,082	5,572)	(806,606)	
Transportation and Equipment	(23,845)	(3,012)	-	106	(156)	(26,907)	
Office Equipment	(10,264)	(1,065)	264	418	(48)	(10,695)	
Other Equipment	(125,190)	(11,350)	70	7,058	(485)	(129,897)	
Leased Assets	(21,410)	(1,857)	-	-	(340)	(23,607)	
Idle Assets	(3,019)	-	-	(48,664)	143	(51,540)	
	<u>(\$ 1,385,513)</u>	<u>(\$ 107,035)</u>	<u>\$ 21,346</u>	<u>\$ -</u>	<u>(\$ 9,082)</u>	<u>(\$ 1,480,284)</u>	
	<u>\$ 1,433,967</u>					<u>\$ 1,492,068</u>	

1.
 - A. Starting from March 10, 2022, the Group recognizes its buildings and structures, machinery and equipment, transportation equipment, office equipment, and other equipment to rental assets based on their usage.
 - B. The Group reclassified the relevant leased assets for dyeing and finishing to buildings and structures and idle assets, respectively, in accordance with their nature, as the lease and use of such assets were ceased based on the local government's policy from December 2022. The relevant dyeing and finishing buildings and structures were rented out, thereby reclassified as rental assets based on their nature starting from August 2023.
 - C. The transfer in the current period is due to the transfer of 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 Group did not capitalize interest in 2023 and 2022.

(9) Lease Transactions - Lessee

A. The assets leased by the Group include land, buildings, and machinery and equipment, and the lease terms typically range from 2 to 46 years. The lease agreements are individually negotiated and include various terms and conditions. There are no restrictions imposed other than that the leased assets may not be used as collateral for borrowings.

B. The information on the carrying amount 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	\$ 64,604	\$ 68,760
Buildings	-	1,307
Machinery and Equipment	-	9
	<u>\$ 64,604</u>	<u>\$ 70,076</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation Expense</u>	<u>Depreciation Expense</u>
Land	\$ 2,874	\$ 2,824
Buildings	341	682
Machinery and Equipment	9	113
	<u>\$ 3,224</u>	<u>\$ 3,619</u>

C. The increase in right-of-use assets of the Group was NT\$0 and NT\$5,270 thousand for the years ended 2023 and 2022, respectively.

D. 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	\$ 37	\$ 57
Expense Related to Short-term Lease Agreements	\$ 1,431	\$ 1,347
Lease Modification Gain/Loss	\$ 10	\$ 5

- E. The total cash outflows for lease payments of the Group in 2023 and 2022 were NT\$3,167 thousand and NT\$3,517 thousand, respectively.
- F. The current and non-current balances of lease liabilities of the Group are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease Liabilities - Current	\$ 1,260	\$ 1,962
Lease Liabilities - Non-current	\$ 2,623	\$ 4,595

(10) Short-term Borrowings

<u>Loan Nature:</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured Loan	\$ 181,804	\$ 140,703
Secured Loan	117,658	97,658
Purchase Loan	41,567	-
	<u>\$ 341,029</u>	<u>\$ 238,361</u>
Range of interest rates for borrowing from financial institutions:	<u>1.70%~7.28%</u>	<u>1.40%~6.35%</u>

- A. Short-term loan of NT\$500 thousand was borrowed by Utex Innovation Co., Ltd. on December 31, 2023, with the Small and Medium Enterprise Credit Guarantee Fund as the guarantor, without substantial collateral. The loan is categorized based on the guarantee regulations, with 75% or NT\$375 thousand as secured loan and 25% or NT\$125 thousand as unsecured loan.
- B. Please refer to Note 8 for information on collateral provided for loans.

(11) Short-term Notes Payable

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

- A. No such event occurred on December 31, 2022.
- B. The above accounts payable commercial paper is guaranteed by Ta Ching Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Mega Bills Finance Corporation., Dah Chung Bills Finance Corporation, and Grand Bills Finance Corporation.

(12) Other Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued Salaries Payable	\$ 67,546	\$ 86,536
Accrued Processing Fees Payable	21,072	26,786
Utilities Payable	11,832	11,926
Accounts Payable for Repairs and Maintenance	7,461	8,719
Accounts Payable for Construction and Equipment	4,927	12,722
Other	72,854	61,629
	<u>\$ 185,692</u>	<u>\$ 208,318</u>

(13) 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	(7,166)	(13,806)
	<u>\$ 295,720</u>	<u>\$ 287,569</u>

- A. Domestic convertible corporate bonds issued by the Company.
- (b) The terms and conditions of the second unsecured convertible corporate bond issuance by the Company in the domestic market are as follows:
- i. 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.
 - ii. 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.
 - iii. 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.
 - iv. 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.
 - v. 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.
- (c) As of December 31, 2023, the principal amount of the convertible corporate bonds has not been converted into common shares.
- B. 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%.

(14) 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	\$ 50,000
	Monthly interest payment	
	The principal be repaid in 12 installments starting from November 13, 2021	
	From November 20, 2019 to November 20, 2026	62,500
	Monthly interest payment	
	The principal be repaid in 84 installments starting from December 20, 2019	
	From October 13, 2020 to October 13, 2025	100,000
	Monthly interest payment	
	The principal be repaid in 12 installments starting from January 13, 2023	
	From May 20, 2021 to May 20, 2028	126,190
	Monthly interest payment	
	The principal be repaid in 84 installments starting from June 20, 2021	
	From November 25, 2021 to November 25, 2026	9,333
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	
Unsecured Borrowings	From November 25, 2021 to November 25, 2026	
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	2,333
		<u>350,356</u>
Less: Long-term borrowings due within one year		<u>(153,999)</u>
		<u>\$ 196,357</u>
Interest Rate Range		<u>2.03%~2.36%</u>

<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	
	The principal be repaid in 12 installments starting from November 13, 2021	\$ 116,667
	From November 20, 2019 to November 20, 2026	
	Monthly interest payment	
	The principal be repaid in 84 installments starting from December 20, 2019	83,928
	From October 13, 2020 to October 13, 2025	
	Monthly interest payment	
	The principal be repaid in 12 installments starting from January 13, 2023	150,000
	From May 20, 2021 to May 20, 2028	
	Monthly interest payment	
	The principal be repaid in 84 installments starting from June 20, 2021	154,762
	From November 25, 2021 to November 25, 2026	
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	12,533
Unsecured Borrowings	From November 25, 2021 to November 25, 2026	
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	3,133
		<u>\$ 521,023</u>
Less: Long-term borrowings due within one year		<u>(170,666)</u>
		<u>\$ 350,357</u>
Interest Rate Range		<u>1.84%~2.23%</u>

- A. As of December 31, 2023 and 2022, the long-term borrowings of Utex Innovation Co., Ltd. were NT\$11,666 thousand and NT\$15,666 thousand, respectively. These borrowings were guaranteed by the Small and Medium Enterprise Credit Guarantee Fund, and had no substantive collateral. Based on the proportion defined in the guarantee regulations, 80% of the borrowings were secured borrowings, and 20% were unsecured borrowings.
- B. Please refer to Note 8 for details of the collateral for secured borrowings.

(15) Pension

A. (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 Plan Assets	<u>(28,047)</u>	<u>(34,689)</u>
Net Defined Benefit Liability	<u>\$ 18,254</u>	<u>\$ 20,172</u>

(c). Changes in Net Defined Benefit Liability:

	<u>Present Value of</u> <u>Defined Benefit</u> <u>Obligation</u>	<u>Fair Value of Plan</u> <u>Assets</u>	<u>Net Defined Benefit</u> <u>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</u> <u>Defined Benefit</u>	<u>Fair Value of Plan</u> <u>Assets</u>	<u>Net Defined Benefit</u> <u>Liability</u>

	<u>Obligation</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>
Dec. 31, 2023	<u>0.25%</u>	<u>0.25%</u>	<u>1%</u>	<u>1%</u>

Impact on the Present Value of Defined Benefit Obligations	<u>(\$ 751)</u>	<u>\$ 776</u>	<u>\$ 3,205</u>	<u>(\$ 2,867)</u>
	<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, 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.

- B. (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). All subsidiaries of the Group in China contribute a certain percentage of the local employees' total salaries each month to the pension insurance system in accordance with the regulations of the government of the People's Republic of China. The contribution rates were 14% for the years 2023 and 2022, respectively. The retirement benefits of each employee are managed and arranged by the Chinese government, and the Group has no further obligations beyond the monthly contributions.
- (c). The retirement benefit costs recognized by the Group in accordance with the above-mentioned retirement benefit plan for the years 2023 and 2022 were NT\$13,957 thousand and NT\$15,045 thousand, respectively.

(16) Share Capital

- A. 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.
- B. The number of outstanding ordinary shares of the Company was adjusted as follows at the beginning and end of the period:

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

(17) 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>
Can be used to offset losses, distribute cash, or allocate to share capital		
Treasury Stocks Transaction	\$ 5,887	\$ 5,887

Cannot be used to offset losses, distribute cash, or allocate to share capital

Recognition of equity component resulting from the issuance of convertible corporate bonds	\$	44,848	\$	44,848
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(18) Retained Earnings

- A. 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.
- B. 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.
- C. When distributing profits, this 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.
- D. 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>	

- E. The dividend will not be distributed due to losses incurred in the year 2023.
- F. Please refer to Note 6(24) for the information of employee compensation and director and supervisor remuneration.

(19) Operating Revenue

A. Breakdown of revenue from customer contract.

The Group's revenue is derived from the transfer of goods at a certain point in time.

		2023									
		Honmyue				Hongyu Zhejiang		Nuwa		Other	Total
Contract Revenue		Asia	Europe	America	Other	Asia	America	Asia	America	Asia	
		<u>\$ 1,684,391</u>	<u>\$13,224</u>	<u>\$91,571</u>	<u>\$2,275</u>	<u>\$602,333</u>	<u>\$ -</u>	<u>\$190,335</u>	<u>\$1,815</u>	<u>\$99,782</u>	<u>\$2,685,726</u>
		2022									
		Honmyue				Hongyu Zhejiang		Nuwa		Other	Total
Contract Revenue		Asia	Europe	America	Other	Asia	America	Asia	America	Asia	
		<u>\$2,230,664</u>	<u>\$18,722</u>	<u>\$86,047</u>	<u>\$1,739</u>	<u>\$567,651</u>	<u>\$2,523</u>	<u>\$220,955</u>	<u>\$873</u>	<u>\$59,846</u>	<u>\$3,189,020</u>

B. Contract Liabilities

The Group recognizes the following contract liabilities related to revenue from customer contract:

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Contract Liabilities - Advance from Customers	<u>\$ 25,287</u>	<u>\$ 25,257</u>	<u>\$ 39,890</u>

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

	2023	2022
Beginning Contract Liabilities and Revenue Recognized this period	\$ 21,945	\$ 34,726

(20) Other Income

	2023	2022
Rental Income	\$ 20,728	\$ 36,509
Dividend Income	220	855
Other Income - Others	29,576	20,949
	<u>\$ 50,524</u>	<u>\$ 58,313</u>

On February of 2019, Jiujiang Deyu Textile Technology Co., Ltd. signed a subsidy contract with the De'an County of the People's Republic of China. The subsidy of NT\$25,451 thousand for the infrastructure construction was recognized as deferred income (recorded as other current liabilities and other non-current liabilities) in three phases. The income was recognized annually over a land use right of 50 years. Jiujiang Deyu has received the first phase of subsidy of NT\$10,180 thousand on December 2021. As of December 31, 2023, the balances of deferred income and subsidy income were NT\$22,968 thousand and NT\$1,891 thousand, respectively.

(21) Other Gains and Losses

	<u>2023</u>		<u>2022</u>
Net Foreign Exchange Gain (Loss)	(\$ 5,082)	\$	10,589
Gain on Disposal of Property, Plant, and equipment	8,600		1,586
Gain on Disposal of Intangible Assets	19,340		-
Gain on Disposal of Investments	2,580		965
Depreciation Expense on Idle Assets	(5,089)		-
Gain/Loss on Financial Assets at Fair Value through P/L	(832)	(	6,165)
Miscellaneous	(1,281)	(	2,728)
	\$ 18,236	\$	4,247

(22) Financial Costs

	<u>2023</u>		<u>2022</u>
Interest Expense	\$ 16,999	\$	14,809
Interest Expense on Bonds Payable	8,151		7,320
Interest Expense on Lease Liabilities	37		57
	<u>\$ 25,187</u>	<u>\$</u>	<u>22,186</u>

(23) Expense by nature

	<u>2023</u>		<u>2022</u>
Employee Benefits Expenses	\$ 447,747	\$	481,807
Depreciation Expenses for Property, Plant, and Equipment	87,137		107,035
Depreciation Expenses for Right-of-use Assets	3,224		3,619
Amortization Expenses for Intangible Assets	2,977		2,215
	<u>\$ 541,085</u>	<u>\$</u>	<u>594,676</u>

(24) Employee Benefits Expense

	<u>2023</u>		<u>2022</u>
Salary expense	\$ 381,977	\$	414,817
Labor and Health Insurance Expenses	30,542		31,033
Pension Expenses	14,475		15,403
Other Employee Benefits Expenses	20,753		20,554
	<u>\$ 447,747</u>	<u>\$</u>	<u>481,807</u>

- A. 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.
- B. The estimated amounts of employees and directors remuneration for the Company in 2023

and 2022 are as follows:

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

The aforementioned amounts are recorded under the salary expense account. No remuneration has been accrued for employees and directors for the year 2023 due to losses incurred. The remuneration for year 2022 were estimated at 3% based on the earnings up to the periods, as determined by the Board of Directors.

- C. The amounts recognized for employees remuneration and directors remuneration in year 2022, as approved by the Board of Directors, were consistent with the amounts recognized in the financial statements for year 2022.
- D. The information related to employees and directors remuneration approved by the Board of Directors can be found on the Market Observation Post Systemat TSEC.
- (25) Income Tax

A. 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	\$ 5,941	\$ 26,212
Over-provision of Income Tax in Prior Year	(2,417)	(2,961)
	<u>3,524</u>	<u>23,251</u>
Deferred Income Tax		
Origination and Reversal of Temporary Differences	(1,959)	595
Under-provision of Income Tax in Prior Year	461	251
Total	<u>\$ 2,026</u>	<u>\$ 24,097</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>

B. Reconciliation between income tax expense and accounting profit.

	<u>2023</u>	<u>2022</u>
Income tax calculated based on net profit(loss) before tax and statutory tax rate	(\$ 10,718)	\$ 21,092
Deductible Amounts as Stipulated by Tax Regulation	2,889	1,001
Exempt Income as Stipulated by Tax Regulation	(2,338)	(2,289)
Unrecognized Deferred Tax Assets Due to Temporary Differences	21,529	6,078
Realizability Assessment Changes in Deferred Tax Assets	(10,626)	(1,581)
Deferred Tax Assets for Tax Loss Carryforwards not Recognized	3,045	2,480
Over-provision of Income Tax in Prior Year	(2,417)	(2,961)
Other	<u>662</u>	<u>277</u>
Total	<u>\$ 2,026</u>	<u>\$ 24,097</u>

C. 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	\$ 4,112	(\$ 451)	\$ -	\$ 3,661
Loss on inventories market price decline	19,669	614	-	20,283
Unrealized exchange loss	-	1,598	-	1,598
Remeasurement of Defined Benefit Obligations	4,883	(81)	(303)	4,499
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	6,984	-	(948)	6,036
Other	<u>7,307</u>	<u>(797)</u>	<u>-</u>	<u>6,510</u>
Subtotal	<u>\$ 42,955</u>	<u>\$ 883</u>	<u>(\$ 1,251)</u>	<u>\$ 42,587</u>
-Deferred Tax Liabilities				
Provision for Land Value Increment Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	(585)	585	-	-
Other	<u>(30)</u>	<u>30</u>	<u>-</u>	<u>-</u>
Total	<u>(\$ 68,184)</u>	<u>\$ 615</u>	<u>\$ -</u>	<u>(\$ 67,569)</u>

2022

	<u>Jan. 1</u>	<u>Recognized in Profits or Loss</u>	<u>Recognized In Other Comprehensive Income</u>	<u>Dec. 31</u>
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Temporary Differences:

-Deferred Tax Assets:

Allowance for Doubtful Accounts - Out of Adjustment	\$ 3,964	\$ 148	\$ -	\$ 4,112
Loss on inventories market price decline	20,129	(460)	-	19,669
Remeasurement of Defined Benefit Obligations	4,442	(132)	573	4,883
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	1,212	-	5,772	6,984
Other	7,843	(536)	-	7,307
Subtotal	<u>\$ 37,590</u>	<u>(\$ 980)</u>	<u>\$ 6,345</u>	<u>\$ 42,955</u>

-Deferred Tax Liabilities

Provision for Land Value Increment Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	(749)	164	-	(585)
Other	-	(30)	-	(30)
Total	<u>(\$ 68,318)</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>(\$ 68,184)</u>

D. The unused tax losses and related amounts of unrecognized deferred tax assets of the Group are as follows:

December 31, 2023

<u>Company</u>	<u>Year</u>	<u>Filing/Approved Amount</u>	<u>Original Offset Amount</u>	<u>Unutilized Offset Amount</u>	<u>Amount of Unrecognized Deferred Income Tax Amount</u>	<u>Final Offset Year</u>
Utex Innovation	2023	Estimated Filing Amount	\$ 15,226	\$ 15,226	\$ 15,226	2033
Utex Innovation	2022	Filing Amount	12,402	12,402	12,402	2032
Utex Innovation	2021	Filing Amount	24,451	24,451	24,451	2031
Utex Innovation	2020	Approved Amount	33,081	33,081	33,081	2030
Utex Innovation	2019	Approved Amount	53,240	53,240	53,240	2029
Utex Innovation	2018	Approved Amount	20,311	20,311	20,311	2028

December 31, 2022

<u>Company</u>	<u>Year</u>	<u>Filing/Approved Amount</u>	<u>Original Offset Amount</u>	<u>Unutilized Offset Amount</u>	<u>Amount of Unrecognized Deferred Income Tax Amount</u>	<u>Final Offset Year</u>
Utex Innovation	2022	Estimated Filing Amount	\$ 12,402	\$ 12,402	\$ 12,402	2032
Utex Innovation	2021	Filing Amount	24,451	24,451	24,451	2031
Utex Innovation	2020	Filing Amount	36,581	36,581	36,581	2030
Utex Innovation	2019	Approved Amount	53,240	53,240	53,240	2029
Utex Innovation	2018	Approved Amount	20,311	20,311	20,311	2028

E. 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>\$ 299,313</u>	<u>\$ 174,598</u>

F. The annual corporate income tax of the Company and domestic subsidiaries, as determined by the tax authority, is listed in the following table:

Company	Approved Year
Honmyue Enterprise Co., Ltd.	2021
Nuwa Enterprise Co., Ltd.	2021
Wenfa Development L.L.C	2021
Utex Innovation Co., Ltd.	2020

(26) Earnings(Losses) per Share

	<u>2023</u>		
	<u>Amount after Tax</u>	<u>Weighted Average Outstanding Shares (in Thousands)</u>	<u>Losses per Share (in NT\$)</u>
<u>Basic Losses per Share</u>			
Net Losses Attributable to Owners of the Parent Company 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 Attributable to Owners of the Parent Company for the Period	<u>\$ 77,429</u>	<u>129,897</u>	<u>\$ 0.60</u>
<u>Diluted Earnings per Share</u>			
Net Income Attributable to Shareholders of the Parent Company's Common Stock	\$ 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 Attributable to Owners of the Parent Company 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 2023, The employee remuneration of the Group, 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.

(27) Supplementary Cash Flow Information

Partial cash payment for investing activities:

	<u>2023</u>	<u>2022</u>
Acquisition of Property, Plant and Equipment	\$ 87,161	\$ 155,535
Add: Beginning Balance of Payable for Construction and Equipment	12,722	12,383
Less: Ending Balance of Payable for Construction and Equipment	(4,927)	(12,722)
Less: Beginning Balance of Advances to Construction Contractors	(11,437)	(10,340)
Add: Ending Balance of Advances to Construction Contractors	<u>13,820</u>	<u>11,437</u>
Cash Paid during the Period	<u>\$ 97,339</u>	<u>\$ 156,293</u>

(Intentionally left blank)

(28) 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	\$ 238,361	\$ -	\$ 6,557	\$ 287,569	\$ 521,023	\$ 16,170	\$ -	\$ 1,069,680
Changes in Cash Flows from Financing Activities	101,429	30,000	(1,699)	-	(170,667)	(5,362)	(53,057)	(99,356)
Effect of Exchange Rate Changes	1,239	-	-	-	-	-	-	1,239
Interest Payable of Corporate Bonds	-	-	-	8,151	-	-	-	8,151
Other-Non cash Changes	-	(77)	(975)	-	-	-	53,057	52,005
Dec. 31, 2023	<u>\$ 341,029</u>	<u>\$ 29,923</u>	<u>\$ 3,883</u>	<u>\$ 295,720</u>	<u>\$ 350,356</u>	<u>\$ 10,808</u>	<u>\$ -</u>	<u>\$ 1,031,719</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	\$ 491,879	\$ 159,722	\$ 4,885	\$ -	\$ 638,023	\$ 3,384	\$ -	\$ 1,297,893
Changes in Cash Flows from Financing Activities	(259,483)	(160,000)	(2,113)	321,827	(117,000)	12,786	(64,948)	(268,931)
Effect of Exchange Rate Changes	5,965	-	-	-	-	-	-	5,965
Interest Payable of Corporate Bonds	-	-	-	7,320	-	-	-	7,320
Other Non-cash Changes	-	278	3,785	(41,578)	-	-	64,948	27,433
Dec. 31, 2022	<u>\$ 238,361</u>	<u>\$ -</u>	<u>\$ 6,557</u>	<u>\$ 287,569</u>	<u>\$ 521,023</u>	<u>\$ 16,170</u>	<u>\$ -</u>	<u>\$ 1,069,680</u>

7. Related Party Transactions

(1) Name and Relationship of Related Parties

<u>Name of Related Parties</u>	<u>Relationship with the Group</u>
Yeh, Ming-Zhou	Key management personnel of the Group
Yeh, Jun-Lin	Other related parties of the Group
Zhejiang Yaoliang Textile Co., Ltd (Zhejiang Yaoliang)	Affiliated companies of the Group
He Guan Textile Co., Ltd.	Other related parties of the Group
Yunite Textile International Co., Ltd.	Other related parties of the Group
Zhen Hong Investment Co., Ltd.	Other related parties of the Group
Yeh-Meng Metal Ind. Co., Ltd.	Other related parties of the Group
Li Cheng Venture Capital Co., Ltd.	Other related parties of the Group

(2) Significant Transactions with Related Parties

A. Operating Revenue

	<u>2023</u>	<u>2022</u>
Sales of Goods		
Zhejiang Yaoliang	\$ -	\$ 93,140
Other Related Parties	<u>4,921</u>	<u>15,696</u>
Total	<u>\$ 4,921</u>	<u>\$ 108,836</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.

B. Purchase

	<u>2023</u>	<u>2022</u>
Purchase of Goods		
Other Related Parties	<u>\$ 6,504</u>	<u>\$ 8,044</u>

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

C. Rental Income (listed under other income)

Year 2023: None

	<u>2022</u>		
<u>Lessee</u>	<u>Rented Property</u>	<u>Rental Income</u>	<u>Collection Method</u>
Zhejiang Yaoliang	Property, Plant and Equipment	<u>\$ 21,018</u>	Based on actual circumstance

On March 10, 2022, the Group rented out land, buildings, machinery and equipment, transportation equipment, office equipment, and other equipment to related parties for a period of 3 years. The rental price was determined by referencing the rental prices of adjacent areas at the time of the rental and the rented area. As per the agreement between both parties, the lessee was required to maintain a minimum amount of CNY 2 million (approximately NT\$9,017 thousand) in a designated bank account. On September 26, 2022, in order to comply with local government policies regarding the closure and elimination of industrial capacity in the printing and dyeing industry, the Group signed an agreement with the related party to terminate the lease agreement earlier, on December 31, 2022.

D. Accounts Receivable from Related Parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
A. Accounts Receivable and Noted Receivable		
Zhejiang Yaoliang	\$ -	\$ 40,580
Other Related Parties	<u>1,824</u>	<u>397</u>
	<u>\$ 1,824</u>	<u>\$ 40,977</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	Up to 91 days	<u>\$ -</u>	<u>\$ 5,119</u>
B. Other Receivable		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Zhejiang Yaoliang		<u>\$ 15,255</u>	<u>\$ 12,074</u>

The other receivables primarily represent the expense paid on behalf of Zhejiang Yaoliang, including electricity and natural gas fees. Amounts exceeding the normal credit terms for a certain period will be reclassified as lending funds.

E. Accounts Payable to Related Parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes Payable		
Other Related Parties	<u>\$ 1,295</u>	<u>\$ 22</u>
Accounts Payable		
Other Related Parties	<u>\$ 2,372</u>	<u>\$ 372</u>
Accounts Payable - Others		
Other Related Parties	<u>\$ 3</u>	<u>\$ -</u>

(3) Key Management Compensation

	<u>2023</u>	<u>2022</u>
Short-term Employee Benefits	\$ 24,505	\$ 27,626
Post-Employment Benefits	<u>763</u>	<u>714</u>
Total	<u>\$ 25,268</u>	<u>\$ 28,340</u>

A. Short-term employee benefits comprise salaries, paid annual leave, and the Company's portion of labor and health insurance premiums for employees in service.

B. 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:

Book Value

<u>Assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Purpose of Collateral</u>
Property, Plant and Equipment			
Land	\$ 324,388	\$ 324,388	Long-term/short-term borrowings
Building and Constructions	160,302	170,590	Long-term/short-term borrowings
Financial Assets at Amortized Cost - Non-current	13,462	11,600	Natural gas and steam used for production and operation
Deposit for guarantee (Presented under Other Non-current Assets)	2,287	2,287	Product Warranty Guarantees
	<u>\$ 500,439</u>	<u>\$ 508,865</u>	

9. Significant Contingent Liabilities and Unrecognized Commitments

(1) Contingencies: None

(2) Commitments:

A. Capital expenditures that have been contracted but not yet incurred.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, Plant, and Equipment	\$ 36,311	\$ 76,506
Intangible Assets	10,476	14,286
Total	<u>\$ 46,787</u>	<u>\$ 90,792</u>

B. In September 2022, Hongyu Textile Zhejiang Co., Ltd. signed an agreement with Jiaying Xiuzhou Photovoltaic Town Development and Construction Co., Ltd., commissioned by the People's Government of Jiaying City, to stop and eliminate the capacity of its printing and dyeing business. The Group is required to cease production of dyeing and finishing capacity and clear the dyeing and finishing equipment by December 31, 2022 and June 30, 2023, respectively. The related equipment, relocation expenses, and compensation for suspended operations and losses in the amount of NT\$65,816 thousand will be paid in three installments. In addition, the contract includes an early incentive clause to encourage corporate cooperation. The Group has received the first installment of compensation of NT\$19,745 thousand and an advance signing bonus of NT\$5,625 thousand on November 2022. The second installment of compensation of NT\$26,483 on March 2023. The Group has received the incentive of early shutdown and pollution emission reduction totaling NT\$65,011 thousand on November 2023. Consequently, the Group recognized a profit from the disposal of property, plant, and equipment (listed under other gains and losses) in the year 2023 amounting to NT\$55,708 thousand. Additionally, deferred income (recorded as other current liabilities) amounted to NT\$62,116 thousand as of December 31, 2023.

10. Significant Disaster Loss

Nonee

11. Significant Subsequent Events

Please refer to the note 6(18)5. for the appropriations of 2023 earnings .

12. Other

(1) Capital Management

The capital management objective of the Group is to ensure the continued operation of the Group, maintain an optimal capital structure to reduce funding costs, and provide returns to shareholders. To maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Group 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 Group 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 Group's debt-to-asset ratios were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total Liabilities	\$ 1,731,823	\$ 1,745,706
Total Assets	\$ 3,765,003	\$ 3,882,578
Debt-to-asset Ratio	<u>46%</u>	<u>45%</u>

(2) Financial Instrument

A. Types of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial Assets at Fair Value through Profit or Loss		
Financial Assets mandatorily measured at Fair Value through Profit or Loss	\$ 15,256	\$ 9,127
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments	64,638	59,718
Financial Assets at Amortized Cost	13,462	11,600
Cash and Cash Equivalents	431,458	630,487
Notes Receivable (Including Related Parties)	89,781	76,381
Accounts Receivable (Including Related Parties)	514,954	425,564
Other Receivables	34,350	34,084
Deposits Paid as Collateral	14,108	14,443
	<u>\$ 1,178,007</u>	<u>\$ 1,261,404</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Amortized Cost		
Short-term Borrowings	\$ 341,029	\$ 238,361
Notes Payable - Short-term	29,923	-
Notes Payable	92,087	122,160
Accounts Payables	210,023	143,740
Other Payables	185,692	208,318
Bonds Payable	295,720	287,569
Long-term Borrowings (due within one year or operating cycle)	350,356	521,023
Deposits Received	10,808	16,170
	<u>\$ 1,515,638</u>	<u>\$ 1,537,341</u>
Lease Liabilities (due within one year or one operating cycle)	<u>\$ 3,883</u>	<u>\$ 6,557</u>

B. Risk Management Policy

(a) The daily operations of the Group 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 Group 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.

C. Nature and Extent of Significant Financial Risks

(a) Market Risk

Currency Risk

- i. The Group 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 and Chinese Renminbi. The related foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The management of the Group has established policies governing the management of the foreign exchange risk with respect to its functional currencies. Each company within the Group is required to manage its overall foreign exchange risk through the Group's finance department. The measurement of foreign exchange risk is based on the expected transactions of highly probable outflows in US dollars and Chinese Renminbi.
- iii. The Group's operations involve several non-functional currencies (the functional currencies of the Company and certain subsidiaries are New Taiwan Dollar, Renminbi and US 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 Amount</u> (thousands)	<u>Exchange Rate</u>	<u>Book Value (TWD in thousand)</u>	<u>Sensitivity Fluctuation Range</u>	<u>Impact on Profit and Loss</u>	<u>Impact on Other Comprehensive Income</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,709	30.705	\$ 175,294	1%	\$ 1,753	\$ -
RMB:TWD	43,433	4.32	187,734	1%	1,877	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD:RMB (Note)	\$ 750	7.1037	\$ 23,033	1%	\$ 230	\$ -
December 31, 2022						
(Foreign Currency: Functional Currency)	<u>Foreign Currency Amount</u> (thousands)	<u>Exchange Rate</u>	<u>Book Value (TWD in thousand)</u>	<u>Sensitivity Fluctuation Range</u>	<u>Impact on Profit and Loss</u>	<u>Impact on Other Comprehensive Income</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 7,350	30.71	\$ 225,723	1%	\$ 2,257	\$ -
RMB:TWD	52,321	4.41	230,947	1%	2,309	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD:RMB (Note)	\$ 1,000	6.9574	\$ 30,703	1%	\$ 307	\$ -

Note: As some of the functional currencies of the entities included in the consolidation are not New Taiwan Dollar, this has also been taken into consideration in the disclosure. 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 Group amounted to a net loss of NT\$5,082 thousand and a net gain of NT\$10,589 thousand, respectively.

(a) Price Risk

i. The equity instruments exposed to price risk are the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. In order to manage the price risk of equity instrument investments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.

ii. The Group mainly invests in equity instruments 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 post-tax net profit for the years 2023 and 2022 will increase or decrease by NT\$122 thousand and NT\$73 thousand, respectively, due to the gains or losses from equity instruments measured at fair value through profit or loss. The gains or losses from equity investments measured at fair value through other comprehensive income will increase or decrease by NT\$517 thousand and NT\$478

thousand, respectively.

Cash Flow and Fair Value Interest Rate Risk

i. The Group's interest rate risk arises primarily from short-term borrowings, short-term notes payable, and long-term borrowings issued at floating rates, which expose the Group to cash flow interest rate risk. In 2023 and 2022, the Group's borrowings issued at floating rates were primarily denominated in New Taiwan Dollars and US Dollars.

ii. 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\$577 thousand and NT\$608 thousand, respectively. This is mainly due to the variability of interest expense resulting from the floating-rate borrowings.

(b) Credit Risk

i. The credit risk of the Group 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.

ii. The Group 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 Group 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.

iii. The Group adopts the premise provided by IFRS 9 whereby if contractual payments are overdue more than 90 days, it is considered a default.

iv. The Group 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.

v. The Group 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.

vi. The Group first evaluates and recognizes impairment losses for individual receivables for which objective evidence indicates that they cannot be collected. For other receivables, the Group 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 impairment loss amount for individually assessed receivables was NT\$0 and NT\$7,464 thousand, respectively. The Group estimates the impairment loss for other receivables by adjusting the loss rate established based on historical and current information over a specific period with future forward-looking considerations, and the accumulated impairment loss amount was NT\$2,985 thousand and NT\$2,928 thousand for 2023 and 2022, respectively. The provision matrix is presented 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%-3%	3%-10%	70%-100%	
Total Book Value	\$ 583,779	\$ 18,560	\$ 1,459	\$ 2,098	\$ 605,896
Loss Allowance	(501)	(502)	(46)	(1,936)	(2,985)
	<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, 2022</u>					
Expected Loss Rate	0%-1%	1%-10%	20%-40%	60%-100%	
Total Book Value	\$ 398,014	\$ 6,434	\$ 897	\$ 2,272	\$ 407,617
Loss Allowance	(1,038)	(223)	(259)	(1,408)	(2,928)

vii. The table below shows the changes in the allowance for doubtful accounts using the simplified approach for the Group:

	<u>2023</u>	<u>2022</u>
	<u>Receivable</u>	<u>Receivable</u>
Jan. 1	\$ 10,392	\$ 12,523
Reversal of Impairment Losses	(4,828)	(2,017)
Amounts written off due to recoverability	(2,528)	-
Exchange Rate Impact	<u>(51)</u>	<u>(114)</u>
Dec. 31	<u>\$ 2,985</u>	<u>\$ 10,392</u>

(c) Liquidity risk

i. The finance department of the Group monitors the forecast of the Group'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.

ii. The following table shows the non-derivative financial liabilities of the Group 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.

iii. Details of the unused loan facilities of the Group are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating Rate		
Due within One Year	<u>\$ 1,633,943</u>	<u>\$ 1,808,957</u>

iv. The table below provides a breakdown of the Group'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>	<u>Total</u>
	<u>3 Months</u>	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>5 Years</u>	<u>Total</u>
Dec. 31, 2023						
Short-term Borrowing	\$ 192,863	\$ 149,424	\$ -	\$ -	\$ -	\$ 342,287
Short-term Notes Payable	30,000	-	-	-	-	30,000

Notes Payable	92,087	-	-	-	-	92,087
Accounts Payable	210,023	-	-	-	-	210,023
Other Payables	185,692	-	-	-	-	185,692
Lease Liabilities	340	1,020	1,359	1,279	-	3,998
Bond Payable	-	-	-	304,523	-	304,523
Long-term Borrowing (Including those due within one year)	30,171	128,875	106,836	94,193	-	360,075
Deposits Received for Guarantee	-	-	-	-	10,808	10,808

Non-derivative Financial Liabilities

Dec. 31, 2022	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Short-term Borrowing	\$ 100,228	\$ 139,349	\$ -	\$ -	\$ -	\$ 239,577
Notes Payable (Including Related Parties)	122,160	-	-	-	-	122,160
Accounts Payable (Including Related Parties)	143,740	-	-	-	-	143,740
Other Payables	208,318	-	-	-	-	208,318
Lease Liabilities	523	1,542	1,997	2,639	-	6,701
Bond Payable	-	-	-	304,523	-	304,523
Long-term Borrowing (Including those due within one year)	43,510	134,119	158,345	188,406	11,940	536,320
Deposits Received for Guarantee	-	-	-	-	16,170	16,170

(3) Fair Value Information

A. 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. The fair value of the listed equity investments held by the Group belongs to this level.

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 Group belong to this level.

Level 3: The fair value of assets or liabilities is determined using unobservable inputs. The redemption feature of convertible bonds issued by the Group and equity instruments without an active market held by the Group belong to this level.

B. Financial Instruments not Measured at Fair Value

(a) The financial instruments of this Group 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, deposits received, short-term borrowings, short-term notes payables, commercial papers payable, accounts payable, 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>Carrying Amount</u>	<u>Level 1</u>	<u>Fair Value</u>	
			<u>Level 2</u>	<u>Level 3</u>
Financial Liabilities:				
Bonds Payable	<u>\$ 295,720</u>	<u>\$ -</u>	<u>\$ 294,780</u>	<u>\$ -</u>
December 31, 2022				

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

- (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.
- C. The financial and non-financial instruments measured at fair value by the Group 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 Group 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 Profit or Loss:				
-Stocks	<u>\$ 15,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,256</u>
Financial Assets at Fair Value through Other Comprehensive Income:				
-Unlisted Company Stocks	<u>-</u>	<u>4,675</u>	<u>59,963</u>	<u>64,638</u>
	<u>\$ 15,256</u>	<u>\$ 4,675</u>	<u>\$ 59,963</u>	<u>\$ 79,894</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:				
-Stocks	\$ 8,947	\$ -	\$ -	\$ 8,947
-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>\$ 8,947</u>	<u>\$ 4,575</u>	<u>\$ 55,323</u>	<u>\$ 68,845</u>

- (b) The methods and assumptions used by the Group to measure fair value are described as follows:
- i. The Group uses market quotes as fair value input for Level 1 instruments, classified by instrument type as follows:

- | | |
|---|---------------------------------|
| | <u>Listed Equity Securities</u> |
| Market Quotes | Closing Price |
| ii. The investment in Changhua Golf Club Co., Ltd. by the Group is valued using | |

publicly quoted member certificate prices as the input for fair value measurement (Level 2).

iii. 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 Group'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 Group's fair value measurement policies.

iv. The Group 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.

D. There were no transfers between Level 1 and Level 2 during years 2023 and 2022.

E. 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	<u>\$ 59,963</u>	<u>\$ 55,323</u>

F. The Group's valuation process for Level 3 investments of illiquid equity instruments involves independent fair value verification by the Group'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.

G. 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 Dec. 31, 2023</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range (Weighted Average)</u>	<u>Relationship between Inputs and Fair Value</u>
Non-derivative Equity Instruments					
	\$ 551			0.12~0.32	Higher multiplier premiums lead to higher fair values.
Unlisted shares		Comparable Company Analysis	Price-to-Book Ratio		
Unlisted shares	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 stock price volatility leads to higher fair values.

	<u>Fair Value at Dec. 31, 2022</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range (Weighted Average)</u>	<u>Relationship between Inputs and Fair Value</u>
Non-derivative Equity Instruments					
	\$ 472			0.11~0.45	Higher multiplier premiums lead to higher fair values.
Unlisted shares		Comparable Company Analysis	Price-to-Book Ratio		
Unlisted shares	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 stock price volatility leads to higher fair values.

H. The Group 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>Input Value</u>	<u>Change</u>	<u>Favorable Impact</u>	<u>Unfavorable Impact</u>	<u>Favorable Impact</u>	<u>Unfavorable 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>

		December 31, 2022				
		Recognized in Profit or Loss		Recognized in other Comprehensive Income		
	Input Value	Change	Favorable Impact	Unfavorable Impact	Favorable Impact	Unfavorable Impact
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. Notes Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to Table 1 for details.

B. Endorsement or guarantees for others: Please refer to Table 2 for details.

C. 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.

D. Cumulative purchase or sale of the same securities reaches NT\$300 million or 20% of the paid-in capital: There is no such item.

E. Acquisition of real estate reaches NT\$300 million or 20% of the paid-in capital: None

F. Disposal of real estate reaches NT\$300 million or 20% of the paid-in capital: None.

G. 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 for details.

H. Receivables from related parties reach NT\$100 million or 20% of the paid-in capital: None.

I. Derivative transactions: None.

J. 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

A. Basic information: please refer to Table 7 for details.

B. 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

(1) General Information

The management of the Group has identified reportable segment based on the information used by the chief operating decision maker in making decisions and has organized its business units into subsidiaries, including Honmyue Enterprise Co., Ltd., Hongyu Textile (Zhejiang) Co., Ltd., Nuwa Enterprise Co., Ltd. The reportable segment of the Group are classified based on the operating companies.

(2) Measurement of Segment Information

The Group evaluates the performance of its operating segments based on adjusted pre-tax income, which excludes the impact of non-recurring expenses within the operating segments.

(3) Reconciliation for Segment Income(loss), Assets and Liabilities

A. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2023 is as follows:

	2023			
	<u>Honmyue</u>	<u>Hongyu Zhejiang</u>	<u>Nuwa</u>	<u>Total</u>
Revenue				
From External Customers	\$ 1,791,461	\$ 602,333	\$ 192,150	2,585,944
From Internal Customers	<u>205,150</u>	<u>1,014</u>	<u>8,498</u>	<u>214,662</u>
Total Revenue	<u>\$ 1,996,611</u>	<u>\$ 603,347</u>	<u>\$ 200,648</u>	<u>\$ 2,800,606</u>
Segment Pre-tax P/L	<u>\$ 3,245</u>	<u>(\$ 17,887)</u>	<u>\$ 10,833</u>	<u>(\$ 3,809)</u>
Segment P/L includes				
Interest Income	<u>\$ 5,641</u>	<u>\$ 674</u>	<u>\$ 212</u>	<u>\$ 6,527</u>
Interest Expense	<u>\$ 21,170</u>	<u>\$ 3,603</u>	<u>\$ -</u>	<u>\$ 24,773</u>
Depreciation and Amortization	<u>\$ 53,294</u>	<u>\$ 28,242</u>	<u>\$ -</u>	<u>\$ 81,536</u>
Income Tax Expense	<u>\$ 248</u>	<u>\$ -</u>	<u>\$ 1,530</u>	<u>\$ 1,778</u>

B. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2022 is as follows:

	<u>2022</u>			
	<u>Honmyue</u>	<u>Hongyu Zhejiang</u>	<u>Nuwa</u>	<u>Total</u>
Revenue				
From External Customers	\$ 2,337,172	\$ 570,174	\$ 221,828	\$ 3,129,174
From Internal Customers	<u>147,640</u>	<u>-</u>	<u>8,949</u>	<u>156,589</u>
Total Revenue	<u>\$ 2,484,812</u>	<u>\$ 570,174</u>	<u>\$ 230,777</u>	<u>\$ 3,285,763</u>
Segment Pre-tax P/L	<u>\$ 134,435</u>	<u>(\$ 23,245)</u>	<u>\$ 18,106</u>	<u>\$ 129,296</u>
Segment P/L includes				
Interest Income	<u>\$ 3,603</u>	<u>\$ 463</u>	<u>\$ 54</u>	<u>\$ 4,120</u>
Interest Expense	<u>\$ 18,417</u>	<u>\$ 3,413</u>	<u>\$ -</u>	<u>\$ 21,830</u>
Depreciation and Amortization	<u>\$ 48,715</u>	<u>\$ 51,913</u>	<u>\$ -</u>	<u>\$ 100,628</u>
Income Tax Expense	<u>\$ 27,504</u>	<u>(\$ 5,376)</u>	<u>\$ 2,126</u>	<u>\$ 24,254</u>

C. The main source of revenue for the Group is the manufacturing, subcontracting, trading, printing, dyeing, finishing, and processing of various cotton, wool, silk, and synthetic fiber fabrics for domestic and international sales.

D. The Group has not allocated the income tax expense to the reporting segments. The amount reported is consistent with the information used by the operating decision-makers.

(4) Adjustment Information for Segment Income Statement:

A. Adjustments to continuing operating segment revenues for the current period are as follows:

	<u>2023</u>	<u>2022</u>
Reportable Segment Revenue	\$ 2,800,606	\$ 3,285,763
Other Segment Revenue	<u>175,937</u>	<u>121,212</u>
Total Operating Segment Revenue	\$ 2,976,543	\$ 3,406,975
Elimination of Intersegment Revenue	<u>(290,817)</u>	<u>(217,955)</u>
Consolidated Revenue	<u>\$ 2,685,726</u>	<u>\$ 3,189,020</u>

B. Adjustments to the current period's operating segment profit/loss that should be reported are as follows:

	<u>2023</u>	<u>2022</u>
Reportable Segment Pre-tax Profit/Loss	(\$ 3,809)	\$ 129,296
Other Segment Pre-tax Profit/Loss	<u>(37,543)</u>	<u>(24,630)</u>
Total Reportable Segments Pre-tax Income	(\$ 41,352)	\$ 104,666
Elimination of Intersegment Income	<u>-</u>	<u>-</u>
Consolidated Pre-tax Profit/Loss of Operating Segments	<u>(\$ 41,352)</u>	<u>\$ 104,666</u>

(5) Information on Product and Service Segment

External customer revenue is mainly derived from the manufacturing and sales of cotton, wool, silk, and synthetic fiber textiles for domestic and international markets. The detailed composition of the revenue balance is as follows:

	<u>2023</u>	<u>2022</u>
Product Sales Revenue	\$ <u>2,685,726</u>	\$ <u>3,189,020</u>

(6) Information on Geographic Segment

Geographic information for the years 2023 and 2022 by location of customers for revenue and by location of assets for non-current assets are presented as follows for the Group:

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Non-current Assets</u>	<u>Revenue</u>	<u>Non-current Assets</u>
Taiwan	\$ 1,359,932	\$ 916,911	\$ 1,819,464	\$ 938,136
China (Including H.K.)	938,306	598,047	796,738	672,055
Other	<u>387,488</u>	<u>-</u>	<u>572,818</u>	<u>-</u>
Total	<u>\$ 2,685,726</u>	<u>\$ 1,514,958</u>	<u>\$ 3,189,020</u>	<u>\$ 1,610,191</u>

Non-current assets refer to property, plant and equipment, lease assets, intangible assets, and other non-current assets, but exclude financial instruments, deposits paid and deferred tax assets.

(7) Information on Major Customers

The Group does not have any single customer whose sales revenue accounts for more than 10% of the total operating revenue in the consolidated income statement.

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【Attachment 2】 The Accountant-Audited Individual Financial Statement of the Most Recent Fiscal Year

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)		(\$ 44,431)	(2)	\$ 77,429	3
	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		(\$ 13,742)	(1)	(\$ 11,484)	-
8500	Total comprehensive gains/losses		(\$ 58,173)	(3)	\$ 65,945	3
	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)

	Notes	From January 1 to December 31, 2023	From January 1 to December 31, 2022
<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)

	Notes	From January 1 to December 31, 2023	From January 1 to December 31, 2022
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		26,653	365,554
<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		(93,167)	(231,360)
<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		(78,884)	(60,075)
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		\$ 281,012	\$ 425,310

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

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
		<u>338,690</u>
Less: Long-term borrowings due within one year.		<u>(150,000)</u>
		<u>\$ 188,690</u>
Interest rate range		<u>2.03%~2.36%</u>

<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</u> <u>Share (NT\$)</u>	<u>Amount</u>	<u>Dividend per</u> <u>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	<u>6,399</u>	<u>3,204</u>	<u>9,603</u>
	<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	<u>8,108</u>	<u>3,163</u>	<u>11,271</u>
	<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	\$ 1,469,749	\$ 1,511,293
Total Assets	\$ 3,473,762	\$ 3,626,525
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	\$ 64,638	\$ 59,718
Financial Assets at Amortized Cost		
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>		
Financial Liabilities at Amortized Cost		
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>Amount</u> <u>(thousands)</u>	<u>Exchange</u> <u>Rate</u>	<u>Book Value</u> <u>(TWD in</u> <u>thousand)</u>	<u>Fluctuation</u> <u>Range</u>	<u>Sensitivity</u>	
					<u>Profit and</u> <u>Loss</u>	<u>Impact on</u> <u>Other</u> <u>Comprehensive</u> <u>Income</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>Amount</u> <u>(thousands)</u>	<u>Exchange</u> <u>Rate</u>	<u>Book Value</u> <u>(TWD in</u> <u>thousand)</u>	<u>Fluctuation</u> <u>Range</u>	<u>Sensitivity</u>	
					<u>Profit and</u> <u>Loss</u>	<u>Impact on</u> <u>Other</u> <u>Comprehensive</u> <u>Income</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:

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

<u>December 31, 2022</u>				
	<u>Carrying Amount</u>	<u>Fair Value</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>December 31, 2022</u>	<u>\$ -</u>	<u>\$ 4,675</u>	<u>\$ 59,963</u>	<u>\$ 64,638</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.**

Representative:

Ye Ming-Zhou(葉明洲)

