

Stock Code: 1466



Acelon Chemicals & Fiber Co., Ltd.

## 2023 Annual Report

May 28, 2024

Website to Query Annual Report: 1. Market Observation Post System,  
<http://mops.twse.com.tw>  
2. Company's Official Website,  
<http://www.acelon.com.tw>

I. Name, title and email of the Company's spokesperson:

Spokesperson: Ming-Yi Lai  
Job title: Vice President of Sales  
Telephone: (04)8652321  
Email address: JASON@acelon.com.tw

Acting spokesperson & Mei-Hung Chang

Corporate Governance

Officer:

Job title: Director of Finance  
Telephone: (04)7638869  
Email address: cmh@acelon.com.tw

II. Address and phone number of headquarters, subsidiaries and factories:

Acelon Chemicals & Fiber (Head office): No. 94, Fanjin Road, Puyan Township, Changhua County  
Telephone: (04)8652321

Acegreen Eco-Material Technology Co., Ltd.: No. 50, Lane 20, Section 1, Nantong Road, Ershui Township, Changhua County  
Telephone: (04)8796000

Acenature Biotechnology Co., Ltd. and Changhua Office: No. 105-4, Zhanglu Road, Changhua City, Changhua County  
Telephone: (04)7638869

Puyan factory: No. 94, Fanjin Road, Puyan Township, Changhua County  
Telephone: (04)8652321

Fangyuan factory: No. 45, Gongqu Road, Fangyuan Township, Changhua County  
Telephone: (04)8952202

Douliu factory: No. 150, Dougong 10th Road, Douliu City, Yunlin County  
Telephone: (05)5573030

III. Name, address and telephone of shareholder service agent:

Name: KGI Securities Co., Ltd.

Address: 5F., No. 2, Chongqing South Road, Section 1, Zhongzheng District, Taipei City

Telephone: (02)23892999

Website: <http://www.kgi.com.tw/>

IV. Name of auditors of the latest audited financial report, and name, address and telephone of the CPA firm:

Name of accountant: Ching-Yi Chen and Kevin Tsao

Name of accounting firm: EnWise CPAs & Co.

Address: 8F-1, No. 130, Taiyuan North Road, North District, Taichung City

Telephone: (04)22966234

Website: <http://www.enwise.com.tw>

V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: NA.

VI. Company website: <http://www.acelon.com.tw>

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## One. Letter to Shareholders

Looking back to the year of 2023, the international political and economic situation continued to be treacherous and changeable. The ongoing Russo-Ukrainian War and Israel-Hamas war, the Red Sea crisis sweeping the global supply chain, multiple geopolitical risks have led to continuous fluctuation of raw material prices. The demand for the global apparel market remained weak due to the impact of the Federal Reserve's interest rate policy interference and the unclear economic recovery, the consumer confidence is low, and the global apparel market demand is still weak. The inventory de-stocking in the second half of the year gradually achieved results and the sales recovered slightly. However, due to the weak economy in Europe and the United States, there is no large-scale procurement action, so the export orders of the textile and fiber industry remain sluggish, and the overall improvement is limited. According to the forecasts of major international economic institutions and the current interaction between the supply chain of the domestic textile and fiber industry, it is conservatively estimated that business opportunities will gradually recover in 2024.

With the world pursuing the common goal of "Net Zero by 2050", carbon tariffs in Europe and the United States are about to be developed. According to the "transition from fossil fuels" resolution of the COP28 climate summit, a green and sustainable supply chain has become a global mainstream trend. The Company has actively initiated relevant carbon reduction measures this year as well as obtaining related green energy certification, while continuing to develop green recycling and environmental protection products. We have been preparing ourselves to meet future opportunities and challenges.

### I. 2023 business report

Operating results: Acelon's 2023 consolidated revenue was NT\$2,453,671 thousand, a decrease of NT\$331,755 thousand from NT\$2,785,426 thousand in 2022. The 2023 net loss after tax (I) attributable to the owners of the parent was NT\$151,349 thousand, a decrease of NT\$84,605 thousand from the 2022 net income after tax attributable to the owners of the parent at NT\$66,744 thousand. The 2023 earnings per share after tax was NT\$(1.36).

Budget implementation: In accordance with the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not disclose financial forecast information for 2022, and there is no need to disclose the analysis data for the 2022 budget implementation.

### (II) Financial income and expenses and profitability analysis:

| Items to be analyzed      |   | Financial analyses for the past five fiscal years |         |        |        |         |         |
|---------------------------|---|---|---------|--------|--------|---------|---------|
|                           |   | 2019  | 2020    | 2021   | 2022   | 2023    |         |
| Capital structure (%)     | Debt to asset ratio                                   | 54.67   | 53.82   | 52.34  | 54.24  | 58.04   |         |
|                           | Long-term fund to property, plant and equipment ratio | 158.34  | 164.04  | 152.77 | 148.04 | 145.58  |         |
| Profitability             | Return on total assets (%)                            | (2.20)  | 1.82    | 5.58   | (1.08) | (3.37)  |         |
|                           | Return on equity (%)                                  | (6.22)  | 2.59    | 10.68  | (3.98) | (9.96)  |         |
|                           | Percentage of paid-in capital (%)                     | Operating income                                  | (0.52)  | 1.33   | 21.40  | (10.72) | (13.91) |
|                           |   | Net income before taxes                           | (10.29) | 3.87   | 17.67  | (5.78)  | (14.65) |
|                           | Net margin (%)  | (3.01)  | 1.54    | 4.99   | (2.40) | (6.17)  |         |
| Earnings per share (NT\$) | (0.89)  | 0.38  | 1.60    | (0.60) | (1.36) |         |         |

Note: The above information is calculated based on the consolidated financial statements.

(III) Research and development status: The expenses for the year is NT\$47,508 thousand, a decrease of 2.56% compared with NT\$48,756 thousand in the previous year.

## II. 2024 business plan

### (I) Business guidelines:

Acelon adheres to the business philosophy of “Persistence in quality. Pursuit of excellence”, and all employees continue to challenge themselves for growth amid the ever-changing business environment. We have continued to improve quality and strengthen R&D capabilities, and focused on customer and sales mix to increase revenue. We have offered more specialized services and extended to industries that can create more value, so as to promote our transformation and competitive advantage to achieve sustainability goals.

#### 1. Business aspect:

- (1) Develop long-term and loyal customers and improve service quality for stable business performance and co-create new business opportunities.
- (2) Develop channels of brand owners, align upstream, midstream and downstream partners, and improve differentiated product portfolios for better performance goals.
- (3) Expand sales of new products to increase profitability.
- (4) Accelerate development of latest products to be added to the product line.
- (5) Commit to the development of eco-friendly and sustainable products.

#### 2. Production and sales:

- (1) In response to the market trend of high-mix low-volume, eliminate unprofitable products and actively improve production technology and production capacity.
- (2) Products with general specifications are scheduled in plans for production to reduce the number of revisions, and those with special specifications have order volume requirements to reduce inventory.

#### 3. Production:

- (1) Improve production performance. (Including increase in AA grade rate, decrease in waste silk rate, increase in uptime)
- (2) Reduce contract manufacturing cost per unit and contract manufacturing expenses and increase production.
- (3) Improve quality and reduce customer complaints.
- (4) Consolidate and adjust production line to increase production capacity of high-margin products. Increase production capacity of dyed yarn and functional products.
- (5) Continue to increase the production volume and variety of recycled products.
- (6) The R&D Department continues to recruit new hires in response to clients' projects to improve gross profit.
- (7) Continue to build the EMS smart factory manufacturing system and incorporate the use of APS system.

#### 4. Management:

- (1) Introducing a digitalization project, including the implementation of a BI decision support system, the introduction of an E-learning digital learning system, and the phased rollout of MES manufacturing execution systems, gradually advancing towards digitalization and digital optimization goals.
- (2) Continue to use RPA (robotic process automation) tools to optimize processes and reduce routine work hours of employees in administrative units, further improving the efficiency of administrative operations.

(3) Continuously promoting the second phase of the enterprise's organizational enhancement coaching project, focusing on comprehensive improvement from the production site to achieve organizational strengthening goals. The main activities of this phase are as follows:

① Specific improvement - Apply QC story steps to implement improvement, further stabilizing quality and reducing cost.

② Visual Management on the Production Site: Making management visible to all through openness and visual displays, aiming to achieve autonomous management by all staff and enhance production efficiency.

#### 5. Research and development:

(1) In response to the transformation of the industry structure and the development trends of the fiber market, the Company has been focusing on the development of functional products with existing materials and the research of new materials and new processes in recent years. These two fields have been developed in parallel in order to improve the Company's R&D capacity and competitive advantage to better prepare for the intermediate and long-term economic development.

#### (2) Future research development plan

① Among the functional fibers of the existing materials, the high value-added products already on the market will be further promoted and improved by virtue of the brand to expand the market share. Improvements will be made to those still in the research and development process to make them enter the mass production on schedule.

② Polyester can act as a good insulator. For traditional polyester fibers that are made into a fabric, the static generated by the friction of the fabric can accumulate on the surface of the clothes, which is difficult to remove. In a low temperature/low humidity environment, the accumulation of static is even more apparent, which can cause trouble to users. In some cases, it can cause harm, interfere with instruments and equipment and endanger the environment. Currently, we are moving toward the development of high-quality products, and fine denier yarn are our priority projects.

③ At present, we began mass production of recycled cellulose products in 2023 and continue to expand the total product category. At the same time, we constantly develop new functional Lyocell products, such as super absorbent Lyocell (water absorption effect > 300%), in order to penetrate medical-related injuries Lyocell dressings have low elongation ( $E < 6\%$ ). Due to the low elongation of Lyocell ( $E < 6\%$ ), there will be a problem of low yield when weaving ATY or DTY at the back end, whether for ATY or DTY. Given this, we will develop Lyocell with higher elongation ( $E > 10\%$ ) to enter the market of back-end weaving.

④ NMMO is currently used as a commercial solvent for dissolving cellulose, but NMMO has many drawbacks, such as the yellowish color of NMMO residue in yarn and low solid content, which makes it difficult to increase the spinning speed to reduce the cost. NMMO itself is also an unstable material, as it can crack during the dissolution and recycling processes, causing safety issues. New ionic liquids are currently being developed to resolve the issues of cellulose wet spinning, and subsequent process optimization will be carried out to achieve the goal of cost reduction.



- ⑤ In response to the issue of sustainable environment, the PET polyester yarn for outdoor use is based on recycled PET pellets to present the dope dye and water-repellent effect in the front end. This innovative and environmentally friendly re-PET yarn, in addition to using recycled PET ester pellets, water-repellent and dope dye are applied during the spinning section, so that this product has three major environmental protection elements (3-in-1), which can substantially eliminate the need for water resources, chemicals, electricity...of the dyeing and water repellent processing consumed at the back end, significantly reducing the overall textile process and optimizing the stereotype of the textile industry as a highly polluted industry. This product is an original product with revolutionary reform in the textile industry, and also environmentally friendly and practical.
- ⑥ In recent years, the issue of environmental protection and recycling has gradually become popular. The proportion of recyclable efficiency of products is the most important factor. At present, the biggest problem is how to distinguish the recyclability of recovered products. In general, as long as the materials are similar, basically, the ratio of recyclability will be greatly improved. At present, the T400 developed by BASF has traditionally monopolized the polyester elastic market in the elastic fabric market and there is no related product available for elastic nylon. Currently, TPU (i.e. OP yarn) is used for mechanical elastic plying. At present, TPU (i.e. OP yarn) is used to produce Nylon system elastic yarn by mechanical elasticity processing; however, this type of product cannot be easily recycled after production as they are composed of two different materials. Due to this, it is urgent to develop nylon products with elastic properties, which can reduce the amount of OP used, and the elastic nylon product can be recycled and reused. This is a new product to be actively developed at present.
- ⑦ To implement environmentally friendly production, not only do we use bio-based raw materials to reduce the use of petrochemical raw materials, but we also reduce the amount of water resources, chemicals, and electricity chemicals used in the manufacturing process. The trend of product reuse is taking hold in all industries, and the textile industry is no exception, with the focus of recycling being Fiber-to-Fiber. As Acelon Chemicals & Fiber is the 3rd largest nylon raw yarn and processed yarn manufacturer in the country, spinning of recycled yarn is also an issue that cannot be delayed. In addition to the recycling and reuse of yarn in textiles, the development of new high-quality products is also active. For example, physical or chemical modification of nylon so that nylon can be used not only in the yarn textile industry, but also in industries other than textile to enhance its added value.

(II) Expected sales and its bases:

In response to the market trend of high-mix low-volume, actively improve production technology and capacity to maintain the Company's advantages in manufacturing costs, so that the overall production and sales system can be more competitive.

Unit: Tonnes

| Product type                | Quantity | Basis  |
|-----------------------------|----------|--|
| Nylon yarn                  | 24,000   | The estimated sales volume of each product in 2024 refers to the sales forecast and the recent status of production equipment and inventory. |
| Polyester yarn              | 3,200    |  |
| Nylon textured yarn         | 15,000   |  |
| Polyester textured yarn     | 3,000    |  |
| Composite textured yarn     | 1,050    |  |
| Polypropylene textured yarn | 800      |  |
| Total                       | 47,050   |  |

(III) Important manufacturing and sales policies

1. Develop new composite fiber products and increase proportion of value-added products to meet market demand.
2. Set annual sales targets and accept suitable orders to achieve profitability.
3. Coordinate production and sales and improve capacity to meet market demand and changes.
4. Reduce unplanned production and improve inventory control to meet the Company's target for inventory.
5. Improve production quality and pre-sales and after-sales services, reduce unnecessary customer complaints and quickly handle issues to reduce losses.
6. Improve processes on credit check and credit line of customers to reduce the risk of abnormal bad debts.

Looking to the future, we will continue to develop products in the direction of "cycle sustainability", "innovation", and "uniqueness", creating a competitive advantage in green products to meet market demand. At the same time, we will gradually upgrade and transform through low-carbon production for upgrading and restructuring toward a smart factory, while also grasping the core strengths to enhance our overall competitiveness. We are dedicated to continuing to create the maximum value for shareholders with the goal of sustainability and mutual prosperity.

Yours truly,

We wish everyone good health, good luck and prosperity.

Chairman Wen-Tung Chou  
March 15, 2024



## Two. Company Profile

### I. Date of Establishment: July 22, 1988

|                                    | Telephone   | Address  |
|------------------------------------|-------------|--|
| Acelon head office                 | (04)8652321 | No. 94, Fanjin Road, Puyan Township, Changhua County                       |
| Changhua office                    | (04)7638869 | No. 105-4, Zhanglu Road, Changhua City, Changhua County                    |
| Puyan factory                      | (04)8652321 | No. 94, Fanjin Road, Puyan Township, Changhua County                       |
| Fangyuan factory                   | (04)8952202 | No. 45, Gongqu Road, Fangyuan Township, Changhua County                    |
| Douliu factory                     | (05)5573030 | No. 150, Dougong 10th Road, Douliu City, Yunlin County                     |
| Subsidiary Acegreen Eco-Material   | (04)8796000 | No. 50, Lane 20, Section 1, Nantong Road, Ershui Township, Changhua County |
| Subsidiary Acenature Biotechnology | (04)7638869 | No. 105-4, Zhanglu Road, Changhua City, Changhua County                    |
| Subsidiary Aceprofit Fiber         | (04)7638869 | No. 105-4, Zhanglu Road, Changhua City, Changhua County                    |

### II. Company History:

| Year / Month | Events  |
|--------------|---|
| 1988.07      | Acelon Chemicals & Fiber Corporation was established with a vision of recruiting talents to have a thriving entrepreneurship, and the Company's factory construction plan was immediately launched.   |
| 1988.11      | Land and office buildings together measuring about 5,400 square meters at the current site of Puyan factory was purchased, which started the land preparation and construction of the yarn factory.   |
| 1990.04      | The trial run of A-series machinery for yarn at Puyan factory was successful. It was the first high-speed oriented yarn (HOY) process successfully developed and put into mass production for commercialization domestically. The production speed reached 5,000 meters per minute, which was 4 times that of traditional spinning. |
| 1990.10      | The expansion of six units of A-series machinery for yarn at Puyan factory was completed, increasing the monthly production capacity to 600 tonnes.   |
| 1990.11      | Successfully developed nylon trilobal yarn in-house.  |
| 1991.10      | The expansion of two units of B-series machinery for yarn at Puyan factory was completed, increasing the total monthly production capacity for yarn to 1,260 tonnes. In the same month, started the expansion of phase 1 of Fangyuan factory.   |
| 1991.12      | Announced the successful trial run of nylon micro-fiber products.   |
| 1992.12      | The trial run of yarn production line at Fangyuan factory was completed, and the production and sales operations were officially started. Since then, the Company has established a consistent and complete production system for nylon and polyester products.   |
| 1995.07      | The preparation of natural fiber opening of composite fibers was awarded a patent by the Central Bureau of Standards of the Ministry of Economic Affairs.   |

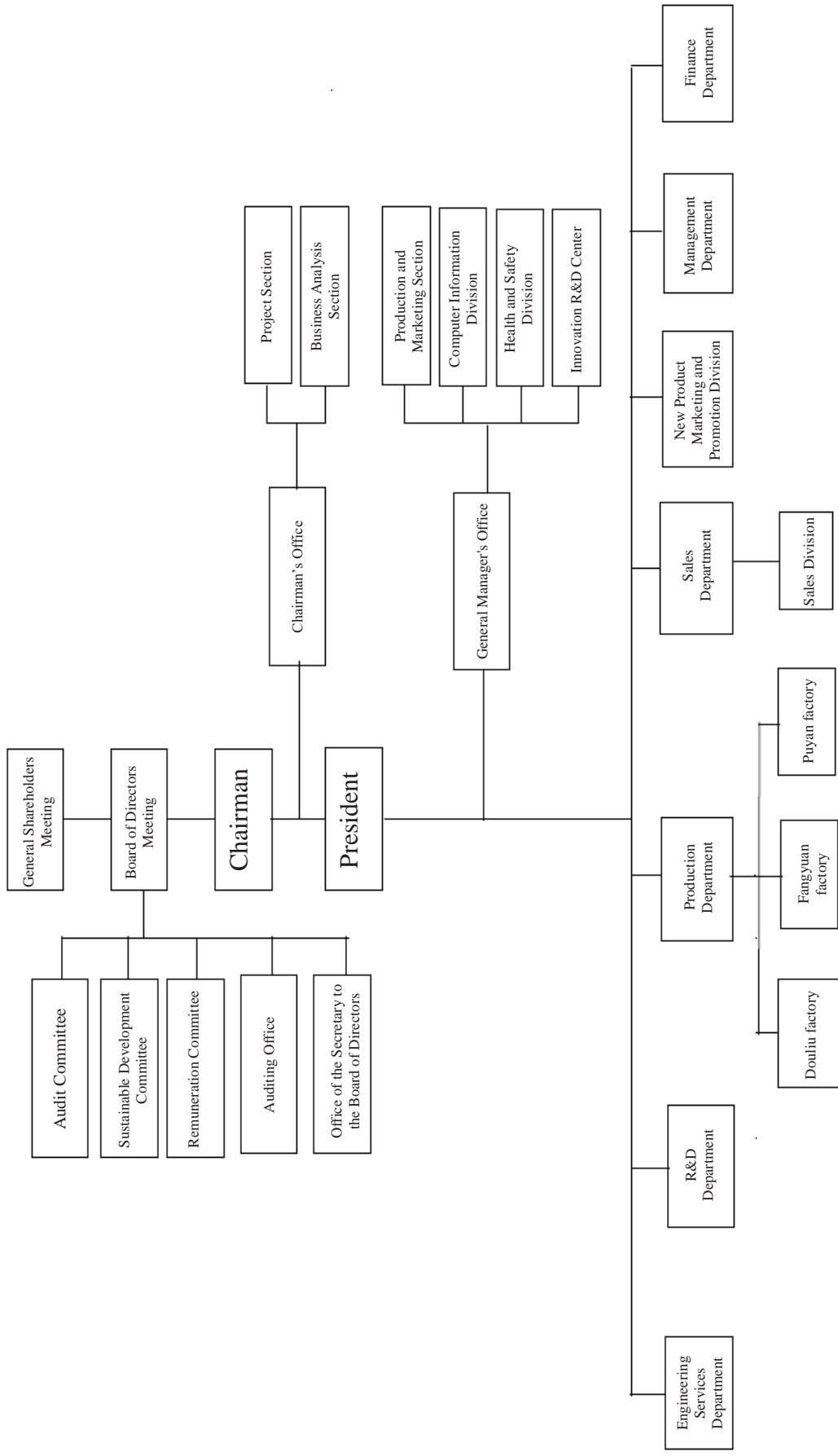
| Year / Month | Events   |
|--------------|--|
| 1995.11      | The ultra-fine fiber composite yarn developed by the Company was approved by the Ministry of Economic Affairs as a market-defining product.  |
| 1995.12      | Acquired ISO 9002 international quality standard assurance system certification from the Bureau of Standards, Metrology and Inspection of Ministry of Economic Affairs.  |
| 1996.08      | The method of applying cellulose solution to high-speed spinning was awarded a patent by the Central Bureau of Standards of the Ministry of Economic Affairs.  |
| 1996.11      | The elastic fiber developed by the Company was approved by the Ministry of Economic Affairs as a market-defining product.  |
| 1996.12      | The Company became the first domestic textile manufacturer to acquire the ISO 9001 international quality standard assurance system certification from the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs. |
| 1998.02      | Awarded by the Ministry of Economic Affairs as one of the Outstanding New Product Developers.  |
| 1998.04      | Awarded the 1998 Industrial Technology Excellence Award by the Ministry of Economic Affairs.   |
| 1998.04      | The Company's stock was officially listed on the centralized market for public trading.  |
| 2000.10      | Established the PVA division to develop fiber products that offer functions such as far infrared rays, moisture wicking, antibacterial and deodorant features.   |
| 2001.12      | The method of reducing the color of cellulose mucilage and the decline of polymerization was awarded a patent by the Central Bureau of Standards of the Ministry of Economic Affairs.  |
| 2003.08      | Established an end product division -- New Fibers Division to design and develop ultra-fine fiber functional products in-house.  |
| 2009.09      | The water washing method for Lyocell was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.   |
| 2009.12      | The newly purchased Douliu factory and equipment officially joined Acelon's production line, and became the Company's 3rd factory.   |
| 2011.01      | Held a corporate briefing session.   |
| 2011.07      | Subsidiary Acegreen Eco-Material Technology Co., Ltd. completed business registration.   |
| 2011.08      | Acquired a land lot in Phīnn-á-thâu of Ershui Township as the planned site for the factory construction of the subsidiary Acegreen Eco-Material Technology Co., Ltd.   |
| 2011.12      | The wet meltblown cellulose nonwoven fabric and system technology development program was awarded an Industry Transformation Excellence Award by the Department of Industrial Technology of the Ministry of Economic Affairs in 2011.        |
| 2012.05      | Acquired the land lot in Phīnn-á-thâu of Ershui Township in Changhua County in 2011. Held a groundbreaking ceremony on May 15, 2012 for the factory used to produce the Lyocell (GreenCell®) cellulose fiber.                                |
| 2012.10      | The green eco-friendly cellulose filament product won the product/system innovation award presented in an industry innovation joint commendation event held by the Ministry of Economic Affairs in 2012.                                     |
| 2012.11      | The Acelon Innovation R&D Center established in response to the government's promotion of domestic enterprises setting up research and development centers in Taiwan had its official unveiling ceremony on November 15.                     |

| Year / Month | Events  |
|--------------|---|
| 2013.09      | The manufacturing process for natural cellulose fiber with anti-mildew, antibacterial and deodorizing functions won a silver medal in the 2013 National Invention and Creation Award.                           |
| 2013.12      | Awarded a bronze medal for enterprises and institutions for the Talent Quality-Management System (TTQS) by the Vocational Training Bureau of the Ministry of Labor of the Executive Yuan.                       |
| 2015.01      | Obtained a Product Carbon Footprint Verification Statement for the verification of five main categories of products at a reasonable level of assurance issued by BSI Taiwan.                                    |
| 2015.12      | The Company signed its first collective agreement with the Company's labor union.   |
| 2016.02      | Acquired the Global Recycled Standard (GRS) textile product system certification.   |
| 2016.12      | The manufacturing process for natural cellulose fiber with flame-resistant properties was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.                             |
| 2016.12      | Acquire the certification of ISO 50001 energy management system.  |
| 2017.01      | The preparation process for blending nano-silver with natural cellulose fiber was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.                                     |
| 2017.08      | The preparation process for blending graphene with natural cellulose fiber was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.  |
| 2017.08      | Subsidiary Acegreen Eco-Material Technology Co., Ltd. obtained the Chain of Custody Certification (CoC) issued by the Forest Stewardship Council (FSC).   |
| 2018.04      | The preparation process for blending graphene with natural cellulose spun non-woven fabric was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.                        |
| 2018.04      | The preparation method for moisture absorption and transferability of non-woven fabric by meltblowing was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.             |
| 2018.04      | The preparation method for moisture absorption and transferability of non-woven fabric by short fiber spinning was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.    |
| 2018.04      | The manufacturing process of bamboo pulp cellulose non-woven fabric with deodorizing properties was awarded a patent by the Intellectual Property Office of the Ministry of Economic Affairs.                   |
| 2018.11      | The "Butterfly Down Platinum Antibacterial Series" awarded in the 27th Taiwan Excellence Award.   |
| 2020.04      | Subsidiary Acenature Biotechnology Co., Ltd. invested in Jukang Life Co., Ltd.  |
| 2020.08      | Subsidiary Acegreen Eco-Material Technology Co., Ltd. acquired the "Class 1 Medical Materials and Devices Certification" issued by the Ministry of Health and Welfare to start the production of medical masks. |
| 2021.01      | Subsidiary Acegreen Eco-Material Technology Co., Ltd. obtained the ISO 13485 certification for medical devices quality management systems standards.  |
| 2021.12      | The natural cellulose fiber with recycled cellulose won the 18th National Innovation Award.   |
| 2022.08      | The sustainability report was certified by the BSI Group.   |
| 2022.12      | Obtained the SGS ISO 14067 certification for product carbon footprint.  |

| Year /<br>Month | Events   |
|-----------------|--|
| 2023.04         | Obtained the SGS ISO 14001 certification for Environmental Management System.  |
| 2023.04         | Obtained the SGS ISO 45001 certification for Occupational Health and Safety Management System (OHSMS).                               |
| 2023.12         | "Fibers containing recycled cellulose," obtained a patent from the Intellectual Property Office of the Ministry of Economic Affairs. |

# Three. Corporate Governance Report

## I. Organizational system (I) Organizational structure



(II) Business operations of main departments:

| Department                                   | Tasks  |
|--|--|
| Auditing Office                              | <ol style="list-style-type: none"> <li>1. Drafting, checking and reporting of audit plans.</li> <li>2. Self-audit and review of internal control system.</li> <li>3. Audit, anomaly analysis and recommendations for improvement of the Company's operating status.</li> </ol>   |
| Management Department                        | <p>Supervise general affairs, materials and human resources management.</p> <ol style="list-style-type: none"> <li>1. Various general affairs and administrative affairs operations.</li> <li>2. Main raw material procurement and control operations for the company.</li> <li>3. Human resources recruitment and management, HR development, performance management, foreign worker management, salary and remuneration management and employee relationship management.</li> </ol>  |
| General Manager's Office                     | <p>In charge of computer information, safety and sanitation, coordination of production and sales, etc.</p> <ol style="list-style-type: none"> <li>1. Planning and management of various computer-related software and hardware as well as information security maintenance operations.</li> <li>2. Plan and supervise the labor safety and health management business of various departments.</li> <li>3. Management operations for the various production schedules of the company.</li> <li>4. Handle corporate litigation and non-litigation cases as well as contract review operations.</li> </ol> |
| Finance Department                           | <ol style="list-style-type: none"> <li>1. Finance, fundraising, and management application operations.</li> <li>2. Accounting, tax processing, and analysis services.</li> <li>3. Convene important meetings for shareholders or board directors, and promote project plans and stock affairs operations.</li> </ol>   |
| New Product Marketing and Promotion Division | <ol style="list-style-type: none"> <li>1. Collection and analysis of market information and formulation of marketing strategy.</li> <li>2. New product planning, marketing and development of potential customers.</li> </ol>  |
| Sales Department                             | <ol style="list-style-type: none"> <li>1. Formulation, coordination and execution of sales plan.</li> <li>2. Collection, analysis and compilation of market intelligence.</li> <li>3. Development of customers and new markets.</li> </ol>   |
| Production Department                        | <p>Responsible for plants in Puyan, Fangyuan and Douliu and development of product applications.</p> <ol style="list-style-type: none"> <li>1. Product manufacturing and maintenance and repair of production equipment.</li> <li>2. Product quality control and management.</li> <li>3. Production planning, materials planning and shipping scheduling.</li> <li>4. Development and proofing of new products meeting customer needs.</li> </ol>  |
| Engineering Services Department              | <ol style="list-style-type: none"> <li>1. Project expansion plan and progress control operations.</li> <li>2. Project contracting, supervision, and management operations.</li> </ol>  |
| Innovation R&D Center                        | <ol style="list-style-type: none"> <li>1. Develop production technology for new value-added products.</li> <li>2. Responsible for improvement of products and manufacturing processes.</li> </ol>  |



## II. Information on directors, president, vice presidents and head of various departments

### (I) Information on board members I

Date: April 23, 2024

| Title    | Nationality or registration place | Name  | Gender Age              | Election / Appointment Date | Term Duration | Initial Elected Date | Number of Shares Owned at Time of Election |                | Number of Shares Currently Held |                | Shareholding of Spouse and Minor Children |           | Shares Held in the Name of Others |           | Main Work Experience or Education Background  | Concurrent Position in the Company or other Companies   | Other managers or directors who are spouse or second-degree relatives |              |                 | Remark            |    |
|----------|-----------------------------------|---|-------------------------|-----------------------------|---------------|----------------------|--|----------------|---------------------------------|----------------|---|-----------|-----------------------------------|-----------|---|---|---|--------------|-----------------|-------------------|----|
|          |                                   |   |                         |                             |               |                      | Number of Shares                           | Ownership      | Number of Shares                | Ownership      | Number of Shares                          | Ownership | Number of Shares                  | Ownership |   |   | Title   | Name         | Relationship    |                   |    |
| Chairman | Taiwan                            | Honghou Investment Representative of legal person director: Wen-Tung Chou | Male<br>61-70 years old | 2021.08.20                  | 3 years       | 1990.01.29           | 3,347,983<br>1,601,531                     | 3.01%<br>1.44% | 7,431,983<br>1,601,531          | 6.69%<br>1.44% | --  | --        | --                                | --        | EMBA, National Chung Hsing University Corporate Leadership concentration Department of Mechanical Engineering at National Taipei University of Technology, factory manager of Formosa Chemicals and Fibre Corporation, vice president of Acelon | Chairman of Acegreen, Acenature and Aceprofit, General management of the company                                | VP of Production Department   | Wen-Chi Chou | Brothers        | Please see Note 2 |    |
| Director | Taiwan                            | Ming-Yi Lai   | Male<br>41-50 years old | 2021.08.20                  | 3 years       | 2006.06.13           | 6,034,913                                  | 5.43%          | 6,046,913                       | 5.44%          | 1,079,000                                 | 0.96%     | --                                | --        | Master's degree from the Department of Business Administration of National Changhua University of Education<br>VP of Sales Division at Acelon   | Chairman of Jukang, director of Acegreen, Acenature and Honmyue<br>Vice president of Sales Dept. of the company | Director  | Ping-Yi Chou | Father-Daughter | --                |    |
| Director | Taiwan                            | Dihao Trading Representative of legal person director: Yi-Sheng Lin       | Male<br>41-50 years old | 2021.08.20                  | 3 years       | 2012.05.03           | 2,929,082<br>890                           | 2.64%<br>0%    | 2,929,082<br>890                | 2.64%<br>0%    | --  | --        | --                                | --        | Master's degree from the Department of Business Administration of National Changhua University of Education   | Chairman of CTWEB   | --  | --           | --              | --                | -- |

|                      |        |  |                           |            |         |            |             |             |             |             |             |             |             |           |       |    |    |  |   |                      |               |                 |                   |
|----------------------|--------|--|---------------------------|------------|---------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-------|----|----|--|---|----------------------|---------------|-----------------|-------------------|
| Director             | Taiwan | Chin Ying Fa Mechanical Industrial Representative of legal person director: Yu-Long Shih | Male<br>41-50 years old   | 2021.08.20 | 3 years | 2012.05.03 | 2,669,077.0 | 2,669,077.0 | 2.40%<br>0% | 2,669,077.0 | 2.40%<br>0% | 2,669,077.0 | 2.40%<br>0% | 2,199,429 | 1.98% | -- | -- | Yuanlin Vocational High School<br>Chairman of Chin Ying Fa Mechanical Industrial   | Chairman of Chin Ying Fa Mechanical Industrial  | Director             | Ya-Hui Shih   | Brother-Sister  | --                |
| Director             | Taiwan | Ya-Hui Shih  | Female<br>41-50 years old | 2021.08.20 | 3 years | 2018.06.29 | 2,158,027   | 2,158,027   | 1.94%       | 2,158,027   | 1.94%       | 2,158,027   | 1.94%       | --        | --    | -- | -- | Department of Business Administration of Kindai University in Japan  | None  | Director             | Yu-Long Shih  | Brother-Sister  | --                |
| Director             | Taiwan | Wen-Po Yang  | Male<br>61-70 years old   | 2021.08.20 | 3 years | 2021.08.20 | 704,606     | 704,606     | 0.63%       | 704,606     | 0.63%       | 704,606     | 0.63%       | --        | --    | -- | -- | Department of Water Resources and Environmental Engineering of Tankang University  | None  | Director             | --            | --              | Please see Note 3 |
| Director             | Taiwan | Ping-Yi Chou   | Female<br>31-40 years old | 2021.08.20 | 3 years | 2021.08.20 | 2,634,219   | 2,634,219   | 2.37%       | 2,634,219   | 2.37%       | 2,634,219   | 2.37%       | 195,000   | 0.18% | -- | -- | Master of Science in finance from the University of Utah. Auditor at Deloitte Taiwan. Department of Taxation of PwC Taiwan.  | The Chairman's Office Special Assistant of the company Independent Director of Koan Hao Co., Ltd.   | Director             | Wen-Fung Chou | Father-Daughter | Please see Note3  |
| Independent Director | Taiwan | Shui-Chin Chen   | Male<br>51-60 years old   | 2021.08.20 | 3 years | 2021.08.20 | 0           | 0           | 0%          | 0           | 0%          | 0           | 0%          | 9         | 0.00% | -- | -- | Department of Accounting of Soochow University<br>Master's degree from Department of Business Administration at National Chung Cheng University. CPA at Deloitte Taiwan, Yuan-Sheng CPA Associates | Independent directors at Merida, Cheng Shin Rubber Industry and San Neng Group Holdings. Supervisor at Linco Technology and Buffalo Machinery | Independent Director | --            | --              | --                |
| Independent Director | Taiwan | Wan-Chung Chen   | Male<br>71-80 years old   | 2021.08.20 | 3 years | 2018.06.29 | 0           | 0           | 0%          | 0           | 0%          | 0           | 0%          | --        | --    | -- | -- | EMBA from NSYSU. VP of Triocan   | Chief engineer at Cathay Biotech Inc.   | Independent Director | --            | --              | --                |
| Independent Director | Taiwan | Ji-Fu Lin  | Male<br>61-70 years old   | 2022.06.29 | 3 years | 2022.06.29 | 0           | 0           | 0%          | 0           | 0%          | 0           | 0%          | --        | --    | -- | -- | Department of Finance at National Chung Hsing University. Director and president at Mega Bills.  | None  | Independent Director | --            | --              | --                |

|                      |        |               |                               |            |         |            |   |    |   |    |    |    |    |  |    |    |                   |
|----------------------|--------|---------------|-------------------------------|------------|---------|------------|---|----|---|----|----|----|----|--|----|----|-------------------|
| Independent Director | Taiwan | Cheng-Pei Kuo | Male<br>61-70<br>years<br>old | 2023.06.16 | 3 years | 2023.06.16 | 0 | 0% | 0 | 0% | -- | -- | -- | Director and general manager of Homnyue Enterprise Co., Ltd. | -- | -- | Please see Note 4 |
|----------------------|--------|---------------|-------------------------------|------------|---------|------------|---|----|---|----|----|----|----|--|----|----|-------------------|

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.  
Note 2: The former president of the Company, Mr. Tse-Chung Lin, retired at the end of December 2018. Chairman Wen-Tung Chou concurrently serves as the president at this point considering his familiarity with the Company's overall business and management, and the Company is actively nurturing talents for managerial officer positions.

The Company's board currently has eleven directors (including four independent directors), and more than half of the directors are not concurrently serving as employees or managerial officers. All board members elaborate on their respective professions and responsibilities to focus on and supervise the Company's operations. Therefore, it is considered appropriate for the chairman to concurrently serve as the president.

Note 3: Directors Mr. Wen-Po Yang and Ms. Ping-Yi Chou were the former supervisors, and now are serving on the 12th term of the board after the re-election of directors.

Note 4: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.

Majority corporate shareholders

Date: April, 23, 2024

| Name of Corporate Shareholders     | Majority corporate shareholders                                  |
|------------------------------------|--|
| Honghou Investment                 | Shao-Hua Chou (88.23%), Ping-Yi Chou(5.88%)                      |
| Chin Ying Fa Mechanical Industrial | Yu-Long Shih(19.67%),Song-Lin Shih(6.19%),<br>Ya-Hui Shih(5.95%) |
| Dihao Trading                      | Yi-Pang Lin(84.21%)  |

## (II) Information on board members 2

## 1. Disclosure of professional qualifications of directors and independence of independent directors:

| Name   | Conditions  | Professional qualifications and experience   | Status of independence | Concurrently serving as an independent director in other publicly listed companies |
|--|---|--|------------------------|--|
| <p>Honghou Investment Representative of legal person director: Mr. Wen-Tung Chou</p> | <p>⊙Chairman of Acelon<br/>           ⊙Age: 68<br/>           ⊙Gender: Male<br/>           ⊙Education: Department of Mechanical Engineering at National Taipei University of Technology. EMBA, National Chung Hsing University<br/>           ⊙Board/Board leadership experience<br/>           ⊙Relevant industry experience (textile and machinery industries)<br/>           ⊙Mr. Wen-Tung Chou is experienced in textile fiber, business management and risk control. He had worked as a section chief of the Nylon Business Department at Formosa Chemicals &amp; Fibre Corporation. In 1988, he co-founded Acelon. In 1989, he served as the factory manager of Acelon. He has served as the president of Acelon since 1998, and is concurrently serving as the chairman of Acelon, Acegreen and Acenature.</p> | <p>1. Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/>           2. Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/>           3. Not been a person of any conditions defined in Article 30 of the Company Act.</p>   | <p>None</p>            |  |
| <p>Mr. Ming-Yi Lai</p>   | <p>⊙Director of Acelon<br/>           ⊙Age: 51<br/>           ⊙Gender: Male<br/>           ⊙Education: Master's degree from the Department of Business Administration of National Changhua University of Education<br/>           ⊙Board/Board leadership experience<br/>           ⊙Relevant industry experience (textile and retail industries)<br/>           ⊙Mr. Ming-Yi Lai joined Acelon as an executive assistant to the president in 2001. In 2011, he served as the VP of Business. He offers insight in the market and experience in retail channels for end products, and can provide short-, intermediate- and long-term planning in business.<br/>           Concurrently serving as the chairman of Junkang, president of Acenature and director of Acegreen and Honmyue.</p>                          | <p>1、Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/>           2、Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/>           3、Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.<br/>           4、Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.<br/>           5、Not been a person of any conditions defined in Article 30 of the Company Act.</p> | <p>None</p>            |  |

|   |  |  |             |
|---|--|--|-------------|
| <p>Dihao Trading<br/>Representative of<br/>legal person<br/>director:<br/>Mr. Yi-Sheng Lin</p>                              | <p>⊙Director of Acelon<br/>⊙Age: 51<br/>⊙Gender: Male<br/>⊙Education: Master's degree from the Department of Business Administration of National Changhua University of Education<br/>⊙Board/Board leadership experience<br/>⊙Relevant industry experience (investment and information industries)<br/>⊙Mr. Yi-Sheng Lin joined the board of Acelon in 2012. He is experienced in international trade and investment and has a good network. He provides guidance and external resources when the Company wishes to expand business.</p>         | <p>① Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/>② Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/>③ Not an employee of the Company or any of its affiliates.<br/>④ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.<br/>⑤ Not been a person of any conditions defined in Article 30 of the Company Act.</p> | <p>None</p> |
| <p>Chin Ying Fa<br/>Mechanical<br/>Industrial<br/>Representative of<br/>legal person<br/>director:<br/>Mr. Yu-Long Shih</p> | <p>⊙Director of Acelon<br/>⊙Age: 52<br/>⊙Gender: Male<br/>⊙Education: Yuanlin Vocational High School<br/>⊙Board/Board leadership experience<br/>⊙Relevant industry experience (machinery industries and business management)<br/>⊙Director Mr. Yu-Long Shih joined the board in 2022. He has a keen insight in investments, and has more than 20 years of business management experience. He offers guidance and recommendations on the Company's operations.<br/>Concurrently serving as the chairman of Chin Ying Fa Mechanical Industrial</p> | <p>① Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/>② Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/>③ Not an employee of the Company or any of its affiliates.<br/>④ Not been a person of any conditions defined in Article 30 of the Company Act.</p>   | <p>None</p> |

|                        |  |  |             |
|------------------------|--|--|-------------|
| <p>Ms. Ya-Hui Shih</p> | <p>⊙Director of Acelon<br/> ⊙Age: 51<br/> ⊙Gender: Female<br/> ⊙Education: Department of Business Administration of Kindai University in Japan<br/> ⊙Board/Board leadership experience<br/> ⊙Relevant industry experience (machinery industries and business management)<br/> ⊙Mrs. Ya-Hui Shih joined the board in 2018. She has knowledge and experience in international business management, and can offer recommendations on the Company's business and management directions.</p>  | <p>① Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.<br/> ② Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/> ③ Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/> ④ Not an employee of the Company or any of its affiliates.<br/> ⑤ Not been a person of any conditions defined in Article 30 of the Company Act.</p>  | <p>None</p> |
| <p>Mr. Wen-Po Yang</p> | <p>⊙Director of Acelon<br/> ⊙Age: 67<br/> ⊙Gender: Male<br/> ⊙Education: Department of Water Resources and Environmental Engineering of Tamkang University<br/> ⊙Board/Board leadership experience<br/> ⊙Relevant industry experience (construction and hydraulic engineering industries)<br/> ⊙Mr. Wen-Po Yang had served as a supervisor of the Company from 2000. He visits the Company and audits information on a weekly basis. He started serving as a director in 2021. He is experienced in construction and hydraulic engineering industries, and can provide guidance on the configuration of plant structure and recommendations on the improvement of water resources and environmental safety issues.</p> | <p>① Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.<br/> ② Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.<br/> ③ Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.<br/> ④ Not an employee of the Company or any of its affiliates.<br/> ⑤ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.<br/> ⑥ Not been a person of any conditions defined in Article 30 of the Company Act.</p> | <p>None</p> |

|                          |  |  |             |
|--------------------------|--|--|-------------|
| <p>Ms. Ping-Yi Chou</p>  | <ul style="list-style-type: none"> <li>⊙Director of Acelon</li> <li>⊙Age: 39</li> <li>⊙Gender: Female</li> <li>⊙Education: Master of Science in finance from the University of Utah.</li> <li>⊙Board/Board leadership experience</li> <li>⊙Relevant industry experience (finance)</li> <li>⊙Ms. Ping-Yi Chou had served as a supervisor from 2018, and served as a director starting 2021. She has an educational background in finance and had practical experience in auditing while working for Deloitte Taiwan and PwC Taiwan. She can offer guidance on the Company's financial structure and risks.</li> </ul>   | <ul style="list-style-type: none"> <li>① Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</li> <li>② Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</li> <li>③ Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</li> <li>④ Not an employee of the Company or any of its affiliates.</li> <li>⑤ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul> | <p>None</p> |
| <p>Mr. Shui-Jin Chen</p> | <ul style="list-style-type: none"> <li>⊙Independent director of Acelon</li> <li>⊙Age: 56</li> <li>⊙Gender: Male</li> <li>⊙Education: Department of Accounting at Soochow University, Master's degree from the Department of Business Administration of National Chung Cheng University</li> <li>⊙Board/Board leadership experience</li> <li>⊙Relevant industry experience (finance)</li> <li>⊙Mr. Shui-Jin Chen has served as an independent director, the convener of the Audit Committee and Salary and Remuneration Committee, and a member of the Sustainable Development Committee since 2021. He had worked at Deloitte Taiwan. He is currently a CPA at Yuan-Sheng CPA Associates. He can offer guidance and effective recommendations on the Company's financial structure and operational risks.</li> <li>He is now concurrently serving as an independent directors at Merida, Cheng Shin Rubber Industry and San Neng Group Holdings, and a supervisor at Linco Technology and Buffalo Machinery</li> </ul> | <ul style="list-style-type: none"> <li>① The independent director, and the spouse and second-degree relatives are not directors, supervisors or employees of the Company or the affiliates.</li> <li>② The independent director or his second-degree relatives (or in the name of others) are not holding the Company's shares. The spouse has 9 shares.</li> <li>③ The independent director is not serving as a director, supervisor or employee of a company that has specific affiliation with the Company.</li> <li>④ In the past 2 years, there has been no remuneration received for business, legal, financial, accounting and other services to the Company or other affiliates.</li> <li>⑤ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.</li> <li>⑥ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul>                  | <p>3</p>    |



|                           |  |  |             |
|---------------------------|--|--|-------------|
| <p>Mr. Wan-Chung Chen</p> | <ul style="list-style-type: none"> <li>⊙Independent director of Acelon</li> <li>⊙Age: 75</li> <li>⊙Gender: Male</li> <li>⊙Education: EMBA of National Sun Yat-Sen University</li> <li>⊙Board/Board leadership experience</li> <li>⊙Relevant industry experience (textile and operations management)</li> <li>⊙Mr. Wan-Chung Chen has served as an independent director since 2018, and is a member of the Audit Committee, Salary and Remuneration Committee and the Sustainable Development Committee. He had worked as the VP of Triocean Textile. He has a professional background in textile fiber and practical management experience. He is concurrently working on the development of textile materials at Cathay Biotech Inc., and can offer guidance and recommendations on the Company's operations and business.</li> </ul> | <ul style="list-style-type: none"> <li>① The independent director, and the spouse and second-degree relatives are not directors, supervisors or employees of the Company or the affiliates.</li> <li>② The independent director and his spouse and second-degree relatives (or in the name of others) are not holding the Company's shares.</li> <li>③ The independent director is not serving as a director, supervisor or employee of a company that has specific affiliation with the Company.</li> <li>④ In the past 2 years, there has been no remuneration received for business, legal, financial, accounting and other services to the Company or other affiliates.</li> <li>⑤ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.</li> <li>⑥ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul> | <p>None</p> |
| <p>Mr. Ji-Fu Lin</p>      | <ul style="list-style-type: none"> <li>⊙Independent director of Acelon</li> <li>⊙Age: 70</li> <li>⊙Gender: Male</li> <li>⊙Education: Department of Finance at National Chung Hsing University</li> <li>⊙Board/Board leadership experience</li> <li>⊙Relevant industry experience (finance, operations management)</li> <li>⊙Mr. Ji-Fu Lin has served as an independent director since 2022, and is a member of the Audit Committee, Salary and Remuneration Committee and the Sustainable Development Committee. He had worked as a director and president of Mega Bills. He is very experienced in finance and investment, and can offer guidance and recommendations on the Company's operational control and hedging.</li> </ul>  | <ul style="list-style-type: none"> <li>① The independent director, and the spouse and second-degree relatives are not directors, supervisors or employees of the Company or the affiliates.</li> <li>② The independent director and his spouse and second-degree relatives (or in the name of others) are not holding the Company's shares.</li> <li>③ The independent director is not serving as a director, supervisor or employee of a company that has specific affiliation with the Company.</li> <li>④ In the past 2 years, there has been no remuneration received for business, legal, financial, accounting and other services to the Company or other affiliates.</li> <li>⑤ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.</li> <li>⑥ Not been a person of any conditions defined in Article 30 of the Company Act.</li> </ul> | <p>None</p> |

|                   |   |   |      |
|-------------------|---|---|------|
| Mr. Cheng-Pei Kuo | <p>◎Independent director of Acelon</p> <p>◎Age: 66</p> <p>◎Gender: Male</p> <p>◎Academic degree: Master's degree from Institute of Textile Engineering at Feng Chia University</p> <p>◎Board/Board leadership experience</p> <p>◎Relevant industry experience (textile and operations management)</p> <p>◎Mr. Cheng-Pei Kuo has been an Independent Director of Acelon Chemicals &amp; Fiber since 2023 and a member of the Audit Committee. Mr. Kuo is currently a director and general manager of Honmyue Enterprise Co., Ltd. and has a professional background in textile fibers and practical management experience, and is able to provide timely guidance and advice towards the Company's operational risks and management.</p> | <p>① The independent director, and the spouse and second-degree relatives are not directors, supervisors or employees of the Company or the affiliates.</p> <p>② The independent director and his spouse and second-degree relatives (or in the name of others) are not holding the Company's shares.</p> <p>③ The independent director is not serving as a director, supervisor or employee of a company that has specific affiliation with the Company.</p> <p>④ In the past 2 years, there has been no remuneration received for business, legal, financial, accounting and other services to the Company or other affiliates.</p> <p>⑤ Not having a marital relationship or a relative within the second degree of kinship to any other director of the company.</p> <p>⑥ Not been a person of any conditions defined in Article 30 of the Company Act.</p> | None |
|-------------------|---|---|------|

2. Disclosure of professional qualifications of directors and independence of independent directors:

(1) The board's diversity policy:

① Purpose

The policy has been established in accordance with Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in order to realize corporate governance, improve board functions and enhance the board's structure.

② Vision and specific management objectives

The company believes that the diversity of board members can improve decision-making and deal with organizational changes more effectively, and the operations can achieve the following objectives:

- A. The Company's board guides the Company's strategy and supervises the management, and is responsible to the Company and shareholders. In terms of the operation and arrangement of the corporate governance system, the board exercises its powers in accordance with laws and regulations, the Articles of Incorporation or the resolutions of the shareholder meetings.
- B. The professional background of board members covers operational decision-making, innovation capability, business experience, industry knowledge and business management.
- C. Diverse experience of directors continues to strengthen corporate governance and operating synergy.
- D. Members can offer diverse opinions based on their experience to find the most suitable solutions to management and development of the Company.
- E. The board conducts performance evaluation on an annual basis to verify the diverse background and suitability of board members.

③ Policy statement

When selecting and reviewing candidates for directors and independent directors, the Company

considers the diversity of board members in various aspects, including education, experience, gender (at least 1 female director, and currently there are 2), independence (at least 3 independent directors, and there are 4 now) and professional experience (at least 2 seats with textile industry background, and there are 4 now; at least 2 seats with finance background, and there are 3 now), and evaluates whether they can perform their duties after joining the board and bring the most benefits to the Company.

④ Diversity index

In order to make the board composition meet the diversity requirements, the selection criteria should include but is not limited to these two aspects:

- ① Background and value: No discrimination against gender, age, nationality, culture, etc.
- ② Knowledge and skills: Professional background in operations management, finance, industry knowledge, sales, marketing, etc.

⑤ Disclosure

The Board Members Diversity Policy established by the Company shall be fully disclosed on the Company's website at all times, made available for consultation.

⑥ Implementation and amendment

These measures are to be announced and implemented after being approved by the board, and likewise for the revision.

(2) Implementation of diversity of board members:

In order to ensure the diversity of board members and their capabilities examining and discussing industry, economy, environment and society issues, the selection of board members should consider talents with different professional background, vision, leadership, industry experience and gender. There are currently 11 seats of directors (including 3 corporate directors and 4 independent directors). Among them, 2 are female directors, account for 18% of the board, and their average age is 45 years old; male directors account for 82% of the board, and their average age is 63 years old. The average age of all directors is 58 years old. 3 directors concurrently serve as employees of the Company, accounting for 27% of the board. The average tenure of independent directors is 3.1 years. The board members have degrees from EMBA at National Chung Hsing University, Master's degree from the Department of Business Administration of National Changhua University of Education, Department of Business Administration of Kindai University in Japan and EMBA from NSYSU, and they all have professional background and skills and industry experience. Re-election of directors and independent directors is held regularly to select suitable candidates.

## Implementation of diversity of board members at Acelon

| Core items of diversity | Nationality | Gender | Concurrent position as employee of the Company | Age      |          |          |          | Service Term of Independent Directors |              |              | Industry experience |               |                      | Professional competence |                     |                     |         |
|-------------------------|-------------|--------|--|----------|----------|----------|----------|---------------------------------------|--------------|--------------|---------------------|---------------|----------------------|-------------------------|---------------------|---------------------|---------|
|                         |             |        |  | 36 to 45 | 46 to 55 | 56 to 65 | 66 to 75 | Less than 3 years                     | 3 to 9 years | Over 9 years | Environment safety  | Textile fiber | Financial investment | Machinery industry      | Sales and marketing | Industry Knowledge. | Finance |
| Wen-Tung Chou           | ROC         | Male   | ✓  |          |          |          | ✓        |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Ming-Yi Lai             | ROC         | Male   | ✓  | ✓        |          |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Yu-Long Shih            | ROC         | Male   |  | ✓        |          |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Yi-Sheng Lin            | ROC         | Male   |  | ✓        |          |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Ya-Hui Shih             | ROC         | Female |  | ✓        |          |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Wen-Po Yang             | ROC         | Male   |  |          | ✓        |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Ping-Yi Chou            | ROC         | Female |  | ✓        |          |          |          |                                       |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Shui-Chin Chen          | ROC         | Male   |  | ✓        |          |          |          | ✓                                     |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Wan-Chung Chen          | ROC         | Male   |  |          |          |          | ✓        |                                       | ✓            |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Ji-Fu Lin               | ROC         | Male   |  |          |          |          | ✓        | ✓                                     |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |
| Cheng-Pei Kuo           | ROC         | Male   |  |          |          |          | ✓        | ✓                                     |              |              |                     |               | ✓                    |                         |                     |                     | ✓       |

Note: Please refer to pp. 16 to 21 for the professional qualifications of each director.

(3) Independence of the board:

The Company's board established 3 seats of independent directors in accordance with Article 14-2 of the Company Act and Article 12 in the Company's Articles of Incorporation, which account for 30% of the total number of directors. Director Wen-Tung Chou and director Ping-Yi Chou are father and daughter, and director Song-Lin Shih and director Ya-Hui Shih are father and daughter. The other directors have not been in any circumstances specified in paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act during the two years prior to being elected as directors and during their service tenure. More than half of the directors are not concurrently serving as employees or managerial officers of the Company, nor do they have relationships of second-degree relatives or spouse. Independent directors do not hold shares of the Company. All directors recuse themselves from voting on motions which may involve conflict of interest.

The board will continue to evaluate the independence of each director, including but not limited to whether directors can continue to provide effective suggestions and discuss issues raised from an independent point of view. The evaluation has found that the current board members all elaborate on their respective professional competence and responsibilities, understand company issues and effectively provide supervision on decision-making. All directors have shown independence, which meets the expectations of the Company.

Note: Please refer to pp. 16-21 for the independence of each director.

## (III) Information about the president, vice president, assistant vice presidents, heads of departments and branches:

Date: April 23, 2024

| Title                                      | Nationality | Name           | Gender | Election/<br>Appointment Date | Shareholding     |           | Shareholding of Spouse and Minor Children |           | Shares Held in the Name of Others |           | Main Work Experience or Education Background   | Concurrent Position in Other Companies                          | Managerial officers who are Spouse or Blood Relatives Within the Second Degree |               | Remarks         |                               |
|--|-------------|----------------|--------|-------------------------------|------------------|-----------|---|-----------|-----------------------------------|-----------|--|---|--|---------------|-----------------|-------------------------------|
|  |             |                |        |                               | Number of Shares | Ownership | Number of Shares                          | Ownership | Number of Shares                  | Ownership |  |   | Title  | Name          |                 | Relationship with the Company |
| Chairman and president                     | Taiwan      | Wen-Tung Chou  | Male   | 2011.04.23                    | 1,601,531        | 1.44%     | —   | —         | —                                 | —         | Corporate Leadership concentration of the EMBA program at National Chung Hsing University<br>Department of Mechanical Engineering at National Taipei University of Technology<br>Factory manager of Formosa Chemicals and Fibre Corporation, president of Acelon | Chairman of Acegreen, Acenature and Aceprofit                   | VP of Production Department  | Wen-Chi Chou  | Brothers        | Note 1                        |
| Director of the Chairman's Office          | Taiwan      | Tse-Chung Lin  | Male   | 2019.03.25                    | 286,548          | 0.26%     | 57,864                                    | 0.05%     | —                                 | —         | Department of Chemical Engineering at National Taipei University of Technology<br>Factory manager of Formosa Chemicals and Fibre Corporation, president of Acelon  | Independent director of Materials-KY, supervisor of Acegreen    | —  | —             | —               | —                             |
| VP of Sales Department                     | Taiwan      | Ming-Yi Lai    | Male   | 2011.09.01                    | 6,046,913        | 5.44%     | 1,079,000                                 | 0.96%     | —                                 | —         | Master's degree from the Department of Business Administration of National Changhua University of Education<br>VP of Acelon  | Chairman of Jukang, director of Acegreen, Acenature and Honmyue | —  | —             | —               | —                             |
| VP of Production Department                | Taiwan      | Wen-Chi Chou   | Male   | 2016.09.01                    | 207,167          | 0.19%     | —   | —         | —                                 | —         | Department of Electrical Engineering, National Formosa University<br>Factory head of Production Department at Acelon<br>VP of Production Department at Acelon  | Director of Acegreen  | Chairman   | Wen-Tung Chou | Brothers        | —                             |
| Special Assistant of the Chairman's Office | Taiwan      | Ping-Yi Chou   | Female | 2023.04.24                    | 2,634,219        | 2.37%     | 195,000                                   | 0.18%     | —                                 | —         | Master of Science in finance from the University of Utah, Auditor at Deloitte Taiwan, Department of Taxation of PWC Taiwan.  | Independent Director of Koan Hao Co., Ltd.                      | Chairman   | Wen-Tung Chou | Father-Daughter | —                             |
| Head of internal audit                     | Taiwan      | Mu-Lan Hsiao   | Female | 2024.02.15                    | 18,000           | 0.02%     | —   | —         | —                                 | —         | Department of Account at National Taichung University of Science and Technology<br>Specialist of Account Section at Acelon   | None  | —  | —             | —               | —                             |
| Director of Finance                        | Taiwan      | Mei-Hung Chang | Female | 2018.09.01                    | 154,379          | 0.14%     | —   | —         | —                                 | —         | Department of International Business Administration at Chienkuo Technology University<br>Assistant Director of Finance at Acelon   | Director of Acenature   | —  | —             | —               | —                             |
| Section chief of Accounting Section        | Taiwan      | Fengxiu Zhang  | Male   | 2024.02.15                    | 0                | 0.00%     | —   | —         | —                                 | —         | "Accounting Department of Fu Jen Catholic University"<br>Accounting Department Specialist at Acelon  | None  | —  | —             | —               | —                             |

Note 1: The former president of the Company, Mr. Tse-Chung Lin, retired at the end of December 2018. Chairman Wen-Tung Chou concurrently serves as the president at this point considering his familiarity with the Company's overall business and management, and the Company is actively nurturing talents for managerial officer positions. The Company's board currently has eleven directors (including four independent directors), and more than half of the directors are not concurrently serving as employees or managerial officers. All board members elaborate on their respective professions and responsibilities to focus on and supervise the Company's operations. It is expected to add one more seat of independent director in 2023. Therefore, it is considered appropriate for the chairman to concurrently serve as the president.

Note 2: Mr. Lian-fu Chang, the former Director of Internal Audit, retired on February 14, 2024, upon reaching the retirement age. Ms. Mu-lan Xiao, the former Accounting Dept. Chief, has been appointed as the new Director of Internal Audit. Mr. Feng-xiu Zhang, the Accounting Dept. Specialist, has been reassigned as the new Accounting Director of the company.

(IV) Remuneration paid to directors, president, and vice presidents for the most recent fiscal year:

1. Remuneration paid to directors and independent directors:

Unit: NT\$ thousands

| Title                | Name   | Directors' remuneration |                                       |                                |                                       |                               |                                       | Remuneration for concurrent position as an employee |                                       |   |                                       |  |                                       | Total Compensation (A+B+C+D+E+F+G) as a % of the Net Income | Number of Shares Subscribed Through Employee Stock Options (H) | Total Compensation (A+B+C+D+E+F+G) as a % of the Net Income | Compensation from invested business entities other than subsidiaries |                                |                                       |                                     |                                       |             |                                       |
|----------------------|--|-------------------------|---------------------------------------|--------------------------------|---------------------------------------|-------------------------------|---------------------------------------|---|---------------------------------------|---|---------------------------------------|--|---------------------------------------|---|--|---|--|--------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|-------------|---------------------------------------|
|                      |  | Base Compensation (A)   |                                       | Severance Pay and Pensions (B) |                                       | Compensation to Directors (C) |                                       | Allowances for Operations (D)                       |                                       | Total Remuneration (A+B+C+D) as a % of the Net Income |                                       | Base Compensation, Bonus, and Allowances (E) |                                       |   |  |   |  | Severance Pay and Pensions (F) |                                       | Employees' Profit Sharing Bonus (G) |                                       |             |                                       |
|                      |  | The Company             | All Companies in the Financial Report | The Company                    | All Companies in the Financial Report | The Company                   | All Companies in the Financial Report | The Company   | All Companies in the Financial Report | The Company   | All Companies in the Financial Report | The Company                                  | All Companies in the Financial Report |   |  |   |  | The Company                    | All Companies in the Financial Report | The Company                         | All Companies in the Financial Report | The Company | All Companies in the Financial Report |
| Director             | Wen-Tung Chou  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 667                                   | 667   | (0.44%)                               | 3,080   | 3,080                                 | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (2.48%)                               | (2.48%)                             | 0                                     | 0           | None                                  |
| Director             | Honghou Investment Representative of legal person: Wen-Tung Chou             | 0                       | 0                                     | 0                              | 0                                     | 0                             | 192                                   | 192   | (0.13%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.13%)                               | (0.13%)                             | 0                                     | 0           | None                                  |
| Director             | Ming-Yi Lai  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 788                                   | 788   | (0.52%)                               | 965   | 1,950                                 | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (1.16%)                               | (1.80%)                             | 0                                     | 0           | None                                  |
| Director             | Dihao Trading Legal person representative: Ye-Sheng Lin                      | 0                       | 0                                     | 0                              | 0                                     | 0                             | 192                                   | 192   | (0.13%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.13%)                               | (0.13%)                             | 0                                     | 0           | None                                  |
| Director             | Chin Yung Fa Mechanical Industrial Legal person representative: Ye-Long Shih | 0                       | 0                                     | 0                              | 0                                     | 0                             | 192                                   | 192   | (0.13%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.13%)                               | (0.13%)                             | 0                                     | 0           | None                                  |
| Director             | Ya-Hui Shih  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 192                                   | 192   | (0.13%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.13%)                               | (0.13%)                             | 0                                     | 0           | None                                  |
| Director             | Wen-Po Yang  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 551                                   | 551   | (0.36%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.36%)                               | (0.36%)                             | 0                                     | 0           | None                                  |
| Director             | Ping-Yi Chou   | 0                       | 0                                     | 0                              | 0                                     | 0                             | 192                                   | 192   | (0.13%)                               | 658   | 658                                   | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.56%)                               | (0.56%)                             | 0                                     | 0           | None                                  |
| Independent director | Shui-Chin Chen   | 0                       | 0                                     | 0                              | 0                                     | 0                             | 432                                   | 432   | (0.29%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.29%)                               | (0.29%)                             | 0                                     | 0           | None                                  |
| Independent director | Wan-Chung Chen   | 0                       | 0                                     | 0                              | 0                                     | 0                             | 432                                   | 432   | (0.29%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.29%)                               | (0.29%)                             | 0                                     | 0           | None                                  |
| Independent director | Ji-Fu Lin  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 432                                   | 432   | (0.29%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.29%)                               | (0.29%)                             | 0                                     | 0           | None                                  |
| Independent director | Cheng-Pei Kuo  | 0                       | 0                                     | 0                              | 0                                     | 0                             | 224                                   | 224   | (0.15%)                               | 0   | 0                                     | 0  | 0                                     | 0   | 0  | 0   | 0  | 0                              | (0.15%)                               | (0.15%)                             | 0                                     | 0           | None                                  |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.

Note 2: Independent directors are not eligible for the distribution of remuneration to directors and supervisors, and instead receive fixed monthly payments for their work. Their duties are to supervise the Company's operations, elaborate on their independence and professional competence, attend board meetings and the meetings of functional committees regularly, supervise the Company's decisions and ensure the rights and interests of shareholders.

Note 3: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.

Director Remuneration Grade Table:

| Remuneration Paid to Directors                         | Name of Director   |  |   |
|--|--|--|---|
|  | Total Remuneration from the First Four Items (A+B+C+D)   |  | Total Remuneration from the First Seven Items (A+B+C+D+E+F+G)   |
|  | The Company  | All Companies in the Financial Report  | The Company<br>All Companies in the Financial Report  |
| Below NT\$1,000,000                                    | Wen-Tung Chou, Honghou Investment, Wen-Tung Chou, Ming-Yi Lai, Dihao Trading, Chin Ying Fa, Ya-Hui Shih, Wen-Po Yang, Ping-Yi Chou, Shui-Chin Chen, Wan-Chung Chen, Ji-Fu Lin, Cheng-Pei Kuo | Wen-Tung Chou, Honghou Investment, Wen-Tung Chou, Ming-Yi Lai, Dihao Trading, Chin Ying Fa, Ya-Hui Shih, Wen-Po Yang, Ping-Yi Chou, Shui-Chin Chen, Wan-Chung Chen, Ji-Fu Lin, Cheng-Pei Kuo | Honghou Investment, Dihao Trading, Chin Ying Fa, Ya-Hui Shih, Wen-Po Yang, Ping-Yi Chou, Shui-Chin Chen, Wan-Chung Chen, Ji-Fu Lin, Cheng-Pei Kuo |
| NT\$1,000,000 (included) - NT\$2,000,000 (excluded)    |  |  | Ming-Yi Lai   |
| NT\$2,000,000 (included) - NT\$3,500,000 (excluded)    |  |  | Ming-Yi Lai   |
| NT\$3,500,000 (included) - NT\$5,000,000 (excluded)    |  |  | Wen-Tung Chou   |
| NT\$5,000,000 (included) - NT\$10,000,000 (excluded)   |  |  |   |
| NT\$10,000,000 (included) - NT\$15,000,000 (excluded)  |  |  |   |
| NT\$15,000,000 (included) - NT\$30,000,000 (excluded)  |  |  |   |
| NT\$30,000,000 (included) - NT\$50,000,000 (excluded)  |  |  |   |
| NT\$50,000,000 (included) - NT\$100,000,000 (excluded) |  |  |   |
| Over NT\$100,000,000                                   |  |  |   |
| Total  |  |  |   |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.

Note 2: Independent directors are not eligible for the distribution of remuneration to directors and supervisors, and instead receive fixed monthly payments for their work. Their duties are to supervise the Company's operations, elaborate on their independence and professional competence, attend board meetings and the meetings of functional committees regularly, supervise the Company's decisions and ensure the rights and interests of shareholders.

Note 3: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.



2. Remuneration to president and vice presidents

Unit: NT\$ thousand

| Title                       | Name          | Salary (A)  |                                       | Severance Pay and Pensions (B) |                                       | Bonuses and Allowances (C) |                                       | Employees' Profit Sharing Bonus (D) |                                       |      | Total Remuneration (A+B+C+D) as a % of the Net Income |             | Compensation from invested businesses other than subsidiaries |
|-----------------------------|---------------|-------------|---------------------------------------|--------------------------------|---------------------------------------|----------------------------|---------------------------------------|-------------------------------------|---------------------------------------|------|---|-------------|---|
|                             |               | The Company | All Companies in the Financial Report | The Company                    | All Companies in the Financial Report | The Company                | All Companies in the Financial Report | The Company                         | All Companies in the Financial Report | Cash | Stock   | The Company |   |
| President                   | Wen-Tung Chou | 2,526       | 2,526                                 | 0                              | 0                                     | 1,221                      | 1,221                                 | 0                                   | 0                                     | 0    | 0   |             |   |
| Director                    | Tse-Chung Lin | 1,039       | 1,039                                 | 0                              | 0                                     | 106                        | 106                                   | 0                                   | 0                                     | 0    | 0   |             |   |
| VP of Sales Division        | Ming-Yi Lai   | 770         | 1,541                                 | 0                              | 0                                     | 983                        | 1,178                                 | 0                                   | 0                                     | 0    | 0   | (5.73)      | (6.36)  |
| VP of Production Department | Wen-Chi Chou  | 1,521       | 1,521                                 | 88                             | 88                                    | 411                        | 411                                   | 0                                   | 0                                     | 0    | 0   |             | None  |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.  
 Note 2: In the 12th term of the board, both director Wen-Tung Chou, and Ming-Yi Lai concurrently serves as of the managerial officers.

President and Vice Presidents Remuneration Grade Table:

| Remuneration Paid to the General Manager and Vice General Manager | Name of President and Vice Presidents |                                       |
|---|---------------------------------------|---------------------------------------|
|   | The Company                           | All Companies in the Financial Report |
| Below NT\$1,000,000   |                                       |                                       |
| NT\$1,000,000 (included) - NT\$2,000,000 (excluded)               | Ming-Yi Lai, Tse-Chung Lin            | Tse-Chung Lin                         |
| NT\$2,000,000 (included) - NT\$3,500,000 (excluded)               | Wen-Chi Chou                          | Wen-Chi Chou, Ming-Yi Lai             |
| NT\$3,500,000 (included) - NT\$5,000,000 (excluded)               | Wen-Tung Chou                         | Wen-Tung Chou                         |
| NT\$5,000,000 (included) - NT\$10,000,000 (excluded)              |                                       |                                       |
| NT\$10,000,000 (included) - NT\$15,000,000 (excluded)             |                                       |                                       |
| NT\$15,000,000 (included) - NT\$30,000,000 (excluded)             |                                       |                                       |
| NT\$30,000,000 (included) - NT\$50,000,000 (excluded)             |                                       |                                       |
| NT\$50,000,000 (included) - NT\$100,000,000 (excluded)            |                                       |                                       |
| Over NT\$100,000,000  |                                       |                                       |
| Total   |                                       |                                       |

3. Remuneration for the top five most compensated managerial officers of the Company

Unit: NT\$ thousand

| Title   | Name           | Salary (A)<br>Note 2 |   | Retirement pension<br>(B) |   | Bonuses and special allowances, etc. (C)<br>Note 3 |  | Amount of employee remuneration(D)<br>Note 4 |              |             | Total of A, B, C and D<br>as a percentage of net income after tax (%)<br>Note 6 |         | Whether remunerations have been received from investees other than subsidiaries<br>Note 7 |
|---|----------------|----------------------|---|---------------------------|---|--|--|--|--------------|-------------|---|---------|---|
|   |                | The Company          | All companies in the consolidated financial statements (Note 5) | The Company               | All companies in the consolidated financial statements (Note 5) | The Company  | All companies in the consolidated financial statements | The Company                                  |              | The Company | All companies in the consolidated financial statements                          |         |   |
|   |                |                      |   |                           |   |  |  | Cash Amount                                  | Stock Amount |             |   |         |   |
| Chairman of the Board and President             | Wen-Tung Chou  | 2,526                | 2,526   | -                         | -   | 1,221  | 1,221  | -  | -            | -           | -   | -       |   |
| Vice President of Business Development Division | Ming-Yi Lai    | 770                  | 1,541   | -                         | -   | 983  | 1,178  | -  | -            | -           | -   | -       |   |
| Vice President of Business Production Division  | Wen-Chi Chou   | 1,521                | 1,521   | 88                        | 88  | 411  | 411  | -  | -            | -           | -   | (6.78%) | (7.42%)   |
| Head of Finance Department                      | Mei-Hung Chang | 1,196                | 1,196   | 66                        | 66  | 339  | 339  | -  | -            | -           | -   | -       |   |
| Director, Chairman's Office                     | Tse-Chung Lin  | 1,039                | 1,039   | -                         | -   | 106  | 106  | -  | -            | -           | -   | -       |   |

Note 1: The "top five most highly compensated managerial officers" in this table refers to the managerial officers of the Company. The criteria for the recognition of managerial officers are based on the scope of "managers" as stipulated in the former Securities and Futures Commission of the Ministry of Finance's Order Tai-Cai-Zheng-San-Zi No. 0920001301 dated March 27, 2003. As for the "top five most highly compensated" calculation, the calculation is based on the total amount of salaries, retirement pensions, bonuses and special allowances received by the managerial officers from all companies in the consolidated financial statements, as well as the amount of employee remuneration (i.e., the total of the four items A+B+C+D), and then ranked by the top five most highly compensated. If a director is also a managerial officer, he/she should fill in this table and the above table (1-1).

Note 2: The salaries, allowances and severance pay of the top five most highly compensated managerial officers in the most recent year are listed.

Note 3: The amount of bonuses, incentive payments, travel expenses, special allowances, other allowances, dormitories, vehicles and other in-kind payments for the top five most highly compensated supervisors in the most recent year. For housing, vehicles, other transportation or personal expenses, disclose the nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments. If there is a chauffeur, please note that the company pays the driver's compensation, but does not count it as remuneration. Salary expenses recognized under IFRS 2 "Share-based Payment", including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash increment subscriptions, should also be included in the remuneration. In addition, salary expenses recognized under IFRS 2 "Share-based Payment", including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase, should also be included in remuneration.

Note 4: The amount of employee remuneration (including stock and cash) for the top five most highly compensated managerial officers approved by the Board of Directors in the most recent year is included. If the amount cannot be estimated, the proposed distribution for this year should be calculated in proportion to the actual distribution amount last year, and should also be listed in Table 1(3).

Note 5: The total amount of remuneration paid to the Company's top five most highly compensated managerial officers by all companies in the consolidated report (including the Company) should be disclosed.

Note 6: The net income after tax refers to the net income after tax of the most recent year of the parent company only or individual financial statements.

Note 7: a. This column should clearly indicate the amount of remuneration received by the Company's top five most highly compensated managerial officers from investees other than the Company's subsidiaries or the parent company (if none, please enter "none").

b. Remuneration refers to the compensation (including remuneration to employees, directors and supervisors) and business execution expenses received by the Company's top five most highly compensated managerial officers in their capacity as directors, supervisors or managers of non-subsidiary companies or the parent company.

3. Names of managerial officers who are given employee compensation (for 2023) and the status of distribution:

Date: April 23, 2024

|                     | Title                               | Name           | Stock | Cash            | Total           | Total as % of the Net Income |
|---------------------|-------------------------------------|----------------|-------|-----------------|-----------------|------------------------------|
| Managerial officers | Chairman                            | Wen-Tung Chou  | 0     | NT\$ 0 thousand | NT\$ 0 thousand | 0%                           |
|                     | Director of the Chairman's Office   | Tse-Chung Lin  |       |                 |                 |                              |
|                     | VP of sales                         | Ming-Yi Lai    |       |                 |                 |                              |
|                     | VP of Production Department         | Wen-Chi Chou   |       |                 |                 |                              |
|                     | Head of internal audit              | Lien-Fu Chang  |       |                 |                 |                              |
|                     | Director of Finance                 | Mei-Hung Chang |       |                 |                 |                              |
|                     | Section chief of Accounting Section | Mu-Lan Hsiao   |       |                 |                 |                              |

4. Analysis of the total remuneration paid by the Company and all firms disclosed in the consolidated financial statements, as a percentage of net income shown on the parent-only or separate financial reports, to directors of the board, supervisors, the president and vice presidents during the last two years, and analyze and describe remuneration policies, standards and packages, the procedure for determining remuneration and its relevance to operating performance and future risk exposure:

(1) Analysis of the total remuneration paid, as a percentage of net income, to directors of the board, supervisors, the president and vice presidents during the most recent two years:

Unit: NT\$ thousand; %

| Year<br><br><br>Title | Total remuneration as % of the Net Income |                |                                       |                |             |                |                                       |                |                      |                |                                       |                |
|-----------------------|---|----------------|---------------------------------------|----------------|-------------|----------------|---------------------------------------|----------------|----------------------|----------------|---------------------------------------|----------------|
|                       | 2022                                      |                |                                       |                | 2023        |                |                                       |                | Increase or decrease |                |                                       |                |
|                       | The Company                               |                | All Companies in the Financial Report |                | The Company |                | All Companies in the Financial Report |                | The Company          |                | All Companies in the Financial Report |                |
|                       | Amount                                    | Percentage (%) | Amount                                | Percentage (%) | Amount      | Percentage (%) | Amount                                | Percentage (%) | Amount               | Percentage (%) | Amount                                | Percentage (%) |
| Director              | 8,665                                     | (12.98)        | 11,070                                | (16.59)        | 9,189       | (6.07)         | 10,154                                | (6.71)         | 524                  | 6.05           | (916)                                 | (8.27)         |
| Managerial officers   | 10,379                                    | (15.55)        | 11,705                                | (17.54)        | 8,665       | (5.73)         | 9,631                                 | (6.36)         | (1,714)              | (16.51)        | (2,074)                               | (17.72)        |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.

The Audit Committee was established in the same term to replace the system of supervisors.

Note 2: In the 12th term of the board, director Ming-Yi Lai concurrently serves as one of the managerial officers.

The 2023 combined remuneration paid to directors, supervisors and managerial officers is less than that of 2022, mainly because that the 2023 net income after tax is negative and the management team underwent comprehensive salary reductions.

(2) Policy on remuneration to directors and supervisors:

According to subparagraph 14 of Article 14 of the Articles of Incorporation, “The remuneration of directors is subject to Article 196 of the Company Act. The board is authorized to determine the remuneration based on their level of participation in and contribution to the Company’s operation. The remuneration follows the standard among industry peers. The remuneration of the chairman shall be calculated based on the income received from the president. The remuneration of the remaining directors shall be paid at a standard that does not exceed the highest salary of the company’s employee salary scale. “

Independent directors receive fixed remuneration, and the Measures for Performance Appraisal of Board Members is used as the basis for evaluating each director. Reasonable remuneration is given based on the Company’s overall operating performance (financial indicators: operating income, net income before tax, net income after tax), future business risks and development trends in the industry, achievement rate of each director (attendance of board meetings and functional committee meetings, participation in the continuing education courses for directors, recommendations on operating strategy, assessment of future business risks, operations and practical guidance, compliance with code of ethics, and whether there are behaviors leading to a negative image of the Company). The relevant appraisal and rationality of remuneration are reviewed by the Salary and Remuneration Committee, which are submitted to the board for resolution. The remuneration payment measures are reviewed in a timely manner to align with the actual status of operations and relevant laws and regulations to achieve a balance between sustainability and risk control.

(3) Policy on remuneration to managerial officers:

According to Article 16 of the Articles of Incorporation, “The Company shall establish positions of managerial officers (including president), and the appointment, dismissal and remuneration shall comply with Article 29 of the Company Act. The salary and remuneration of the managerial officers needs to be reviewed by the Salary and Remuneration Committee and then submitted to the board of directors for approval. The remuneration, salary, rewards, year-end bonuses, etc. of other employees are reviewed by the president authorized by the board, and are paid based on their contribution to the Company’s operations and the standard of other industry peers.” “

Managers’ remuneration includes salary and bonus, of which the salary is based on the standard of industry peers and factors such as title and rank, education (work experience), professional capabilities and responsibilities. The distribution of bonuses is measured by the operating performance of the Company in the last 3 years, which include financial indicators (revenue, gross profit, net profit, net income before tax, net income after tax), and the performance appraisal of managerial officers (target achievement rate of the departments which they lead and personal target achievement rate, effectiveness of promoting the Company’s projects, internal control, compliance with code of ethics, participation in continuing education courses for managerial officers).

(4) According to Article 19-1 of the Articles of Incorporation, “3-5% of the profit of the current year is distributable as employees’ compensation and no higher than 4% of the profit of the current year is distributable as remuneration to directors. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses, before using the remaining profit for distribution of remuneration. Employee remuneration is mainly in the form of stocks or cash, and the recipients shall include the employees of subsidiaries in which the Company has more than 50% of shareholding. Matters related to the payment of employee remuneration and directors’ remuneration are handled in accordance with relevant laws and regulations, determined by the board, and reported to the shareholder meetings. “

### III. Implementation of corporate governance

#### (I) Operation of the board of directors

The 12th term of board of directors has had 17 meetings since August 20, 2021, and the attendance of directors is shown as follows:

| Title                | Name  | Actual presence (including attendance as guests) | Attendance by Substitution | Rate of actual presence (attendance) | Remark            |
|----------------------|---|--|----------------------------|--------------------------------------|-------------------|
| Chairman             | Honghou Investment Representative of legal person: Wen-Tung Chou                | 17   | 0                          | 100%                                 |                   |
| Director             | Ming-Yi Lai   | 17   | 0                          | 100%                                 |                   |
| Director             | Chin Ying Fa Mechanical Industrial<br>Legal person representative: Yu-Long Shih | 14   | 2                          | 82%                                  |                   |
| Director             | Dihao Trading<br>Legal person representative: Yi-Sheng Lin                      | 17   | 0                          | 100%                                 |                   |
| Director             | Ya-Hui Shih   | 16   | 0                          | 94%                                  |                   |
| Director             | Wen-Po Yang   | 17   | 0                          | 100%                                 |                   |
| Director             | Ping-Yi Chou  | 16   | 1                          | 94%                                  |                   |
| Independent director | Shui-Chin Chen  | 17   | 0                          | 100%                                 |                   |
| Independent director | Wan-Chung Chen  | 16   | 0                          | 100%                                 |                   |
| Independent director | Ji-Fu Lin   | 12   | 0                          | 100%                                 | Please see Note 2 |
| Independent director | Zai Ke  | 3  | 0                          | 100%                                 | Please see Note 2 |
| Independent director | Cheng-Pei Kuo   | 6  | 0                          | 100%                                 | Please see Note 3 |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024. The Audit Committee was also established in this term to replace the system of supervisors.

Note 2: Independent director Mr. Zai Ke resigned from the position due to personal business on February 18, 2022. The by-election held at the shareholder meeting on June 29 elected Mr. Ji-Fu Lin as an independent director.

Note 3: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.

Other issues to be recorded:

I. The date, session, proposal content, and resolution specified and the opinion expressed by independent directors shall be specified under any one of the following circumstances:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act:

The relevant motions have been reported to the board. The opinions of all independent directors on the matters specified in Article 14-3 of the Securities and Exchange Act and meeting information for 2023 and up to the publication date of annual report in 2024 are listed as follows:

| Date  | Important resolutions (Matters specified in Article 14-3 of the Securities and Exchange Act)   |  |
|---|--|--|
| 2023.01.11<br>The 8th session of the 12th term                    | 1. Resolved to approve the cancellation of endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>2. Resolved to approve the 2023 CPA auditing fees.<br>3. Resolved to approve amendment to the "Measures for Calculation and Distribution of Remuneration for Directors and Supervisors".<br>4. Resolved to approve amendment to the "Salary and Remuneration Committee Organizational Charter".<br>5. Resolved to approve amendment to the "Board Meeting Rules of Procedures". |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2023.03.21<br>The 9th session of the 12th term                    | 1. Resolved to approve endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>2. Retirement and re-employment of managerial officers and employees.   |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2023.04.19<br>The 2nd Interim Board of Directors of the 12th term | 1. Resolved to approve the partial cancellation of endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>2. Resolved to approve amendments to the "Procedures for endorsements and guarantees."<br>3. Resolved to the appointment of Entrusted Manager.  |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2023.08.09<br>The 11th session of the 12th term                   | 1. Resolved to establish the "Risk Management Policy and Procedures" of the Company.   |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2023.11.06<br>The 12th session of the 12th term                   | 1. Resolved to approve endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.  |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2024.01.26<br>The 13th session of the 12th term                   | 1. Resolved to appoint the Company's new head of internal audit and head of accounting.<br>2. Resolved to approve the change of CPAs.<br>3. Resolved to approve the 2023 CPA auditing fees.<br>4. Resolved to approve lending funds to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>5. Resolved to approve the reinvestment project of our company.  |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2024.05.10<br>The 15th session of the 12th term                   | 1. Resolved to approve endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>2. Resolved to approve the amendment of the Board Meeting Regulations of the Company.<br>3. Resolved to approve the amendment of the Organizational Regulations of the Audit Committee of the Company.  |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |

(II) Other board resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors: None.

II. For the recusal of directors due to conflict of interest, please describe the name of the director, the proposal content, the reason for recusal and the participation in voting:

| Board of directors' date  | Name of Director | Content of Motions                                      | Reasons for Recusal  | Participation in Voting                          |
|---|------------------|---|--|--|
| 2023.03.21<br>The 9th session of the 12th term                                | Wen-Tung Chou    | Managerial officer retirement and re-employment matters | Chairman Wen-Tung Chou is concurrently serving as the president. He has cooperated with the company policy to settle the old pension system. He recused himself from the discussion due to conflict of interest. | Recusal during the agenda discussion and voting. |
|   | Ping-Yi Chou     |   | Director Ping-Yi Chou and Chairman Wen-Tung Chou are second-degree relatives, so they recuse themselves from the discussion.   |  |
| 2023.04.19<br>The 2 <sup>nd</sup> Interim Board of Directors of the 12th term | Wen-Tung Chou    | Managerial officer employment matters                   | The company appoints Director Zhou Pingyi as Special Assistant of the Chairman's Office Operations Analysis Division   | Recusal during the agenda discussion and voting. |
|   | Ping-Yi Chou     |   | Director Ping-Yi Chou and Chairman Wen-Tung Chou are second-degree relatives, so they recuse themselves from the discussion.   |  |

III. The evaluation of the board of directors: Self-evaluation conducted by board members, and an agenda working group also evaluates the functioning of the board. The board meeting held on January 26, 2024 approved the 2023 board evaluation. Please see this page for the status of the evaluation.

IV. An evaluation of targets and performance for strengthening the functional competence of the board during the current and the most recent years:

- (I) The board approved the "Board Performance Evaluation" motion on March 25, 2019. At least one internal board performance evaluation should be conducted before the end of each year to improve the quality of the board's decision-making and to be used as reference for selecting or nominating candidates for directors.
- (II) In order to ensure the diversity of board members, the board meeting held on March 25, 2019 approved the proposal for "Board Member Diversity".
- (III) In order to make the processes handling directors' requests for information or assistance more consistent, and prevent directors' performance of tasks affecting the rights and interests of shareholders, the Company formulated the "Standard Operating Procedures for Directors' Requests", which were approved by the board meeting held on March 25, 2019.
- (IV) In order to continuously improve the professionalism of directors and supervisors and to meet regulatory requirements, the Company arranges at least two sessions of courses on corporate governance held by external qualified lecturers.
- (V) In order to reinforce the board functions, after the board election held at the 2021 general meeting of shareholders, an Audit Committee was established to further improve corporate



governance.

(VI) In order to make information more transparent to overseas institutional investors, the Company has simultaneously released English version of material information starting August 2021.

(VII) In order to promote corporate social responsibility, corporate governance and sustainability, the Company established its Sustainable Development Committee in 2022.

#### V. Execution of board evaluation

| Evaluation cycle | Evaluation period              | Scope of evaluation  | Assessment methods                              | Assessment contents  |
|------------------|--------------------------------|--|---|--|
| Once a year.     | January 1 to December 31, 2023 | Board of Directors Meeting                                 | Self-evaluation of the board of directors       | <ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Improvement of the quality of the board of directors' decision making</li> <li>3. Composition and structure of the board of directors</li> <li>4. Election and continuing education of the directors</li> <li>5. Internal control</li> </ol>   |
|                  |                                |  | Self-evaluation of the board of directors       | <ol style="list-style-type: none"> <li>1. Understand the objectives and missions of the Company</li> <li>2. Understanding of directors' job responsibilities</li> <li>3. Participation in the operation of the company</li> <li>4. Internal relationship management and communication</li> <li>5. Professionalism and continuous education of directors</li> <li>6. Internal control.</li> </ol> |
|                  |                                | Functional committee (audit, remuneration, sustainability) | Self-evaluation of functional committee members | <ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Understanding of functional committee's job responsibilities</li> <li>3. Quality of the functional committees' decision making</li> <li>4. Composition of functional committees and suitability of members</li> <li>5. Internal control</li> </ol>   |

Note 1: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 12th term of board members is from August 20, 2021 to August 19, 2024.

Note 2: The Company held the 1st session of the 12th term of the board on August 20, 2021 to elect the chairman for the 12th term. The resolution approved the appointment of the representative Mr. Wen-Tung Chou of the corporate director Mr. Wen-Tung Chou as the chairman.

VI. Performance evaluation measures of the board and the results of the 2023 evaluation:

- (I) In order to implement corporate governance and improve the operational efficiency of the board, the 5th session of the 11th term of the board held on March 25, 2019 approved the Board Performance Appraisal Measures.
- (II) The internal board performance appraisal includes the following five aspects: ① Participation in the operation of the Company; ② Improvement of the quality of the board of directors' decision making; ③ Composition and structure of the board of directors; ④ Election and continuing education of the directors; ⑤ Internal control.
- (III) The self-evaluation of individual board member's performance includes the following six aspects: ① Alignment of the goals and missions of the Company; ② Awareness of the duties of a director; ③ Participation in the operation of the Company; ④ Management of internal relationship and communication; ⑤ Director's professionalism and continuing education; 6. Internal control.
- (IV) The functional committee performance appraisal includes the following five aspects: ① Participation in the operation of the Company; ② Awareness of the duties of the functional committee; ③ Improvement of quality of decisions made by the functional committee; ④ Makeup of the functional committee and election of its members; ⑤ Internal control.
- (V) Evaluation period: January 1, to December 31, 2023.
- (VI) Evaluation method: The self-evaluation of the board, functional committees and each director is conducted in the form of questionnaires.  
The self-evaluation of the board as a whole is conducted by the Secretary Office of the board using relevant information. The performance of each individual director and the functional committees is done by each director and each committee member, respectively.
- (VII) Responsible unit: Secretary Office of the board (board meeting agenda working group).
- (VIII) Evaluation results: In 2023, the actual attendance rate of the board members was 97%, and the attendance rate of directors at the shareholders' meeting was 90%. The board members have knowledge of the Company and its industry, effectively supervise the Company's operations and offer appropriate suggestions. They also have good communication with the management team, put their respective expertise to use, and contribute to the Company.  
Results of the comprehensive evaluation of the board performance this year: Excellent.  
Average rating of the directors' self-evaluation: Excellent.  
Results of the comprehensive evaluation of the Audit Committee: Excellent.  
Results of the comprehensive evaluation of the Salary and Remuneration Committee: Excellent.  
Results of the comprehensive evaluation of the Sustainable Development Committee: Excellent.  
For 2023, the results of the self-evaluation of performance of the board as a whole, functional committees and each board member are all "Excellent", indicating that directors have positive influence on the efficiency and performance of various operations. The board overall operates well, which shows that improvement of the board functions meets the requirements of corporate governance.
- (IX) Date of submission to the Board of Directors: January 26th, 2024

(II) Information regarding Audit Committee operation

The Company has appointed 4 independent audit committee members to help the board improve the performance of corporate governance, and their duties include:

Establish or amend internal control measures, or major financial or operational actions, such as acquisition or disposal of assets, engaging in derivatives trading, etc., and evaluation of the effectiveness of internal control measures.

1. Information on members of the Audit Committee:

Date: April 23, 2024

| Title (Note 1)                    | Conditions<br>Name | Professional qualifications and experience (Note 2)   | Status of independence (Note 3)  | Number of other public companies for which the director concurrently serving as an audit committee member |
|-----------------------------------|--------------------|---|--|---|
| Independent director and convener | Shui-Chin Chen     | Specialized in financial accounting. He had worked at Deloitte Taiwan. He is currently a licensed CPA. He is familiar with laws and regulation, and can offer effective recommendations on financial information and risk management. | 1. The person, spouse or second-degree relatives are not employees, directors or supervisors of the Company or any of its affiliates.<br>2. The person and his second-degree relatives are not holding the Company's shares. The spouse has 9 shares.<br>3. The person, spouse or second-degree relatives are not employees, directors or supervisors of specified companies with which the Company has business relations.<br>4. Has not provided the Company or its affiliates with business, legal, financial, accounting and other services in the last 2 years.<br>5. Not been a person of any conditions specified in Article 30 of the Company Act. | 3   |

|                      |                |   |  |   |
|----------------------|----------------|---|--|---|
| Independent Director | Wan-Chung Chen | He had worked as the VP of Triocean Textile. He has a professional background in textile fiber and practical management experience. He can offer guidance recommendations on the Company's operations and management.   |  | 0 |
| Independent Director | Ji-Fu Lin      | He had worked as a director and president of Mega Bills. He is very experienced in commerce, finance and investment, and can offer guidance and recommendations on the Company's operational control and achievement of business objectives.                                      | 1. The person, spouse or second-degree relatives are not employees, directors or supervisors of the Company or any of its affiliates.<br>2. The person, spouse and second-degree relatives do not own company shares.<br>3. The person, spouse or second-degree relatives are not employees, directors or supervisors of specified companies with which the Company has business relations.<br>4. Has not provided the Company or its affiliates with business, legal, financial, accounting and other services in the last 2 years.<br>5. Not been a person of any conditions specified in Article 30 of the Company Act. | 0 |
| Independent Director | Cheng-Pei Kuo  | He is currently a director and general manager of Honmyue Enterprise Co., Ltd. and has a professional background in textile fibers and practical management experience, and is able to provide timely guidance and advice towards the Company's operational risks and management. |  | 0 |

Note 1: Please refer to pp. 16-21 for the disclosure professional qualifications of audit committee member and directors and the independence of independent directors.

Note 2: Describe the professional qualifications and experience of each audit committee member.

Note 3: Independence compliance: Describe the compliance of audit committee members with independence requirements.

Note 4: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021, and at the same time established the 1st term of the Audit Committee. The term of office of the committee members is from August 20, 2021 to August 19, 2024.

Note 5: Independent director Mr. Zai Ke resigned from the position due to personal business on February 18, 2022. The by-election held at the shareholder meeting on June 29 elected Mr. Ji-Fu Lin as an independent director.

Note 6: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.

2. Information regarding Audit Committee operation:

The 1st term of the Audit Committee has had 15 meetings since August 20, 2021.

| Title                | Name           | Actual Attendance in Person | Attendance by Substitution | Percentage of Actual Attendance | Remarks                    |
|----------------------|----------------|-----------------------------|----------------------------|---------------------------------|----------------------------|
| Independent Director | Shui-Chin Chen | 15                          | -                          | 100%                            |                            |
| Independent Director | Wan-Chung Chen | 15                          | -                          | 100%                            |                            |
| Independent Director | Ji-Fu Lin      | 11                          | -                          | 100%                            | Assumed on June 29th, 2022 |
| Independent Director | Cheng-Pei Kuo  | 5                           |                            | 100%                            | Assumed on June 16th, 2023 |
| Independent Director | Zai Ke         | 2                           | -                          | 100%                            | Resigned on 2022/02/18     |

Note 1: Independent director Mr. Zai Ke resigned from the position due to personal business on February 18, 2022.

The by-election held at the shareholder meeting on June 29 elected Mr. Ji-Fu Lin as an independent director.

Note 2: In accordance with the provisions of paragraph 4 of the Regulations Governing Appointment of Board of Directors and Compliance Matters, the Company elected one new independent director, Cheng-Pei Kuo, at the shareholders' meeting in 2023.

Other issues to be recorded:

I. The date, session, proposal content, and resolution specified and the opinion expressed by the Audit Committee, and the Company's handling of the Audit Committee's comments shall be specified under any one of the following circumstances.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act:

| The date of the meeting of the Audit Committee | Content of Motions  | Any objection, expression of reservations or significant recommendations by independent directors | Results of the Audit Committee's resolution          | Company's handling of the Audit Committee's opinions   |
|--|---|---|--|--|
| 2023.01.11<br>The 7th session of 1st term      | <ol style="list-style-type: none"> <li>1. Deliberation on the assessment of the independence of the Company's CPAs.</li> <li>2. Deliberation on the 2023 CPA auditing fees.</li> <li>3. Deliberation on the lending of funds to Acegreen.</li> <li>4. Deliberation on the 2023 annual audit plan.</li> <li>5. Deliberation on amendment to the "Measures for Calculation and Distribution of Remuneration for Directors and Supervisors".</li> <li>6. Deliberation on amendment to the "Salary and Remuneration Committee Organizational Charter".</li> <li>7. Deliberation on amendment to the "Board</li> </ol> | None  | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.01.11 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |

|  |  |      |  |  |
|--|--|------|--|--|
|  | Meeting Rules of Procedures”.  |      |  |  |
|  | 8. Deliberation on the investment in constructing energy storage system and equipment.   |      |  |  |
| 2023.03.21<br>The 8th session of 1st term  | 1. Deliberation on the Company’s 2022 financial statements.<br>2. Deliberation on the 2022 annual losses.<br>3. Deliberation on the internal control system self-evaluation statement.<br>4. Deliberation on endorsements and guarantees to the subsidiary Acegreen. | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.03.21 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |
| 2023.04.19<br>The 9th session of 1st term  | 1. Deliberation on the partial cancellation of endorsements and guarantees to the subsidiary Acegreen.<br>2. Deliberation on the amendments to the "Procedures for endorsements and guarantees."   | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.03.21 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |
| 2023.05.05<br>The 10th session of 1st term | 1. Deliberation on the Company’s Q1 2023 consolidated financial statements.  | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.5.05 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution.  |
| 2023.08.09<br>The 11th session of 1st term | 1. Deliberation on the Company’s Q2 2022 consolidated financial statements.<br>2. Deliberation on "Risk Management Policy and Procedures" of the Company.  | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.08.09 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |
| 2023.11.06<br>The 12th session of 1st term | 1. Deliberation on the Company’s Q3 2023 consolidated financial statements.<br>2. Deliberation on endorsements and guarantees to the subsidiary Acegreen.<br>3. Deliberation on the 2023 annual audit plan.  | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2023.11.06 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |
| 2024.01.26<br>The 13th session of 1st term | 1. Deliberation on the change of CPAs<br>2. Deliberation on the assessment of the independence of the Company’s CPAs.<br>3. Deliberation on the 2023 CPA auditing fees.<br>4. Deliberation on the appoint the Company's new head of internal audit and head of       | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2024.01.26 and unanimously approved by all board members in presence, which would be carried out  |

|   |  |      |  |  |
|---|--|------|--|--|
|   | <p>accounting.</p> <p>5. Deliberation on the lending of funds to Acegreen.</p> <p>6. Deliberation on the Company's reinvestmen.</p>  |      |  | in accordance with the board resolution.   |
| <p>2024.03.15</p> <p>The 14th session of 1st term</p> | <p>1. Deliberation on the Company's 2023 financial statements.</p> <p>2. Deliberation on the 2023 annual losses.</p> <p>3. Deliberation on the internal control system self-evaluation statement.</p>  | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2024.03.15 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |
| <p>2024.05.10</p> <p>The 15th session of 1st term</p> | <p>1. Deliberation on the Company's Q1 2024 consolidated financial statements.</p> <p>2. Deliberation on endorsements and guarantees to the subsidiary Acegreen.</p> <p>3. Deliberation on amendment of the Board Meeting Regulations of the Company.</p> <p>4. Deliberation on amendment of the Organizational Regulations of the Audit Committee of the Company.</p> | None | Unanimous vote by all committee members in presence. | Reported to the board meeting on 2024.05.10 and unanimously approved by all board members in presence, which would be carried out in accordance with the board resolution. |

(II) Except for the above mentioned matters, others which have not been passed by the Audit Committee but have been approved by more than two-thirds of all directors:

None.

II. For the recusal of independent directors due to conflicts of interests, please describe the name of the independent director, the content of motion, the reason for recusal and the participation in voting: None.

III. Communication between independent directors and internal auditing managers and accountants (communicate materiality, methods and results of the Company's financial and business conditions):

| Date of the Meeting   | Matters to be Communicated  | Methods of communications | Results  |
|---|---|---------------------------|--|
| 2024.03.15<br>2023 Independent directors, accountants and auditing supervisors' joint symposium | 1. The Company's 2023 financial statements.<br>2. 2023 key audit matters.<br>3. Internal control system self-evaluation statement | Symposium, presentation   | Has communicated on governance matters related to the review of financial statements, and there are no abnormalities, major review adjustments and differences or undisclosed matters.<br>Everyone in presence was notified, and expressed no objection. |



## (III) Continuing education of directors

| Title    | Name          | Elected Date | Date of continuing education courses |            | Host                                    | Course name   | Course hours |
|----------|---------------|--------------|--------------------------------------|------------|---|---|--------------|
|          |               |              | Start                                | End        |   |   |              |
| Director | Wen-Tung Chou | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |               |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Director | Ming-Yi Lai   | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |               |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Director | Yu-Long Shih  | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |               |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |

| Title    | Name         | Elected Date | Date of continuing education courses |            | Host                                    | Course name   | Course hours |
|----------|--------------|--------------|--------------------------------------|------------|---|---|--------------|
|          |              |              | Start                                | End        |   |   |              |
| Director | Ya-Hui Shih  | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |              |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Director | Yi-Sheng Lin | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |              |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Director | Wen-Po Yang  | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |              |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Director | Ping-Yi Chou | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|          |              |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |

| Title                | Name           | Elected Date | Date of continuing education courses |            | Host   | Course name   | Course hours |
|----------------------|----------------|--------------|--------------------------------------|------------|--|---|--------------|
|                      |                |              | Start                                | End        |  |   |              |
| Independent Director | Wan-Chung Chen | 2021/08/20   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association                | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|                      |                |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association                | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
| Independent Director | Ji-Fu Lin      | 2022/06/29   | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association                | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.             | 3            |
|                      |                |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association                | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
|                      |                |              | 2023/09/23                           | 2023/09/23 | Securities and Futures Institute                       | Sustainability Development Practicum Seminar  | 3            |
| Independent Director | Cheng-Pei Kuo  | 2023/06/16   | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association                | How the board of directors monitors ESG risks to build sustainable competitiveness for the company. | 3            |
|                      |                |              | 2023/07/15                           | 2023/07/15 | Foundation for Commerce Development Research Institute | Corporate Governance and Sustainable Business Operation Seminar                                     | 3            |

| Title                | Name           | Elected Date | Date of continuing education courses |            | Host                                    | Course name  | Course hours |
|----------------------|----------------|--------------|--------------------------------------|------------|---|--|--------------|
|                      |                |              | Start                                | End        |   |  |              |
| Independent Director | Shui-Chin Chen | 2021/08/20   | 2023/01/12                           | 2023/01/12 | Taiwan Corporate Governance Association | Examining Recent Tax Legislation and Practical Trends  | 3            |
|                      |                |              | 2023/04/19                           | 2023/04/19 | Taiwan Corporate Governance Association | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.              | 3            |
|                      |                |              | 2023/06/16                           | 2023/06/16 | Taiwan Corporate Governance Association | How the board of directors monitors ESG risks to build sustainable competitiveness for the company.  | 3            |
|                      |                |              | 2023/09/23                           | 2023/09/23 | Securities and Futures Institute        | Sustainability Development Practicum Seminar   | 3            |
|                      |                |              | 2023/11/09                           | 2023/11/09 | Taiwan Corporate Governance Association | What Investors Are Thinking - Exploring Corporate Sustainable Transformation through ESG Investment. | 3            |
|                      |                |              | 2023/11/09                           | 2023/11/09 | Taiwan Corporate Governance Association | Preparing for the Future: Discussing Continuous Business Operations Management                       | 3            |
|                      |                |              | 2023/11/11                           | 2022/11/11 | Taiwan Corporate Governance Association | Introduction to IFRS Sustainability Disclosure Standards   | 3            |
|                      |                |              | 2023/11/11                           | 2023/11/11 | Taiwan Corporate Governance Association | Strategies for Businesses and Individuals in Response to the CFC Storm                               | 3            |

(IV) Managerial officers participating in continuing education and training related to corporate governance:

| Date       | Course name  | Teaching unit  | Hours | Name/title of managerial officer  |
|------------|--|--|-------|---|
| 2023/01/08 | Sustainability Carbon Management Certification Course - Planner  | National Dong Hwa University   | 7     | Wen-Chi Chou/VP of Production Department  |
| 2023/02/22 | Sustainability Carbon Management Certification Course - Manager"   |  | 7     |   |
| 2023/04/19 | Enterprise Performance Management and Operational Practices of the Incentive Mechanism.  | Taiwan Corporate Governance Association  | 3     | Wen-Tung Chou/Chairman<br>Tse-Chung Lin/Director of the Chairman's Office<br>Ming-Yi Lai/VP of Sales Department<br>Wen-Chi Chou/VP of Production Department<br>Lien-Fu Chang/Senior auditing specialist<br>Mu-Lan Hsiao/Section chief of Accounting Section<br>Mei-Hung Chang/Director of Finance, head of corporate governance |
| 2023/04/26 | Continuing education courses for internal audit personnel at public companies:<br>1.Analysis of Common Internal Control Management Deficiencies in Enterprises and Practical Case Studies. | Accounting Research and Development Foundation   | 6     | Lien-Fu Chang/Senior auditing specialist  |
| 2023/05/19 | ESG International Leadership Program - Sustainable Strategy Manager  | Afnor International Certification  | 36    | Wen-Chi Chou/VP of Production Department  |
| 2023/05/19 | 2023 International Forum on Alternative Energy and Carbon Neutrality   | Green Product Research Center of Feng Chia University, and Industry Development Foundation | 7     | Wen-Tung Chou/Chairman<br>Tse-Chung Lin/Director of the Chairman's Office   |
| 2023/05/23 | Promotion Seminar on Sustainable Development Action Plans for Listed Companies   | Taiwan Stock Exchange  | 3     | Mei-Hung Chang/Director of Finance, head of corporate governance  |
| 2023/05/29 | Regulatory Authorities Require Implementation of "Corporate Governance Personnel" Audit Compliance Practices   | Accounting Research and Development Foundation   | 6     | Lien-Fu Chang/Senior auditing specialist  |

|            |  |  |    |   |
|------------|--|--|----|---|
| 2023/06/09 | Annual Insider Trading Prevention Seminar  | Securities and Futures Market Development Foundation                                       | 3  | Mei-Hung Chang/Director of Finance, head of corporate governance  |
| 2023/06/16 | How the board of directors monitors ESG risks to build sustainable competitiveness for the company.  | Taiwan Corporate Governance Association  | 3  | Wen-Tung Chou/Chairman<br>Tse-Chung Lin/Director of the Chairman's Office<br>Ming-Yi Lai/VP of Sales Department<br>Wen-Chi Chou/VP of Production Department<br>Lien-Fu Chang/Senior auditing specialist<br>Mu-Lan Hsiao/Section chief of Accounting Section<br>Mei-Hung Chang/Director of Finance, head of corporate governance |
| 2023/07/04 | 2023 Cathay Sustainable Finance and Climate Change Summit  | Taiwan Stock Exchange  | 3  | Mei-Hung Chang/Director of Finance, head of corporate governance  |
| 2023/10/03 | Training for Newly Appointed Internal Audit Personnel in Corporations  |  | 18 |   |
| 2023/10/04 |  |  |    |   |
| 2023/10/05 |  |  |    |   |
| 2023/12/12 | Advanced Course for Accounting Managers of Issuers and Securities Firms at Stock Exchanges:<br>1. Latest Developments in "ESG Sustainability" and "Self-prepared Financial Statements" Policies and Practical Internal Control Management<br>2. Analysis of Common Deficiencies in "Financial Statement Review" and Practical Interpretation of Key Internal Control Regulations | Accounting Research and Development Foundation   | 12 | Mu-Lan Hsiao/Section chief of Accounting Section  |
| 2023/12/20 |  |  |    |   |
| 2023/12/08 | 2023 Global Eco-Innovation and Circular Economy Summit - New Energy Materials  | Green Product Research Center of Feng Chia University, and Industry Development Foundation | 7  | Tse-Chung Lin/Director of the Chairman's Office   |

(V) Status of corporate governance implementation and the difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

| Issues to be assessed  | Implementation Status |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
| 1. Does the Company follow the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?  | ✓                     |    | We have established the Corporate Governance Best Practice Principles and disclosed the results on the Company’s website.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| 2. Shareholding structure and shareholders’ equity<br>(1) Does the Company have internal operating procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? | ✓                     |    | The Company has provided an investor inquiry form on its website, and coordinated a shareholder services agent and finance units to handle shareholders’ suggestions, concerns, disputes and litigation matters.   | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?   | ✓                     |    | Handled and controlled by the shareholder services agent and finance units.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?   | ✓                     |    | Has been formulated in the internal control system and relevant measures.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?   | ✓                     |    | The Company has formulated the Procedures for Handling Material Inside Information and the Procedures for Ethical Operations Management and Guidelines for Conduct as reference.   | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| 3. Composition and responsibilities of the board of directors<br>(1) Has the board established a policy on diversity and specific management objectives, and have they been implemented accordingly?   | ✓                     |    | We have established a board diversity policy for compliance, and disclosed the relevant policy content on the Company’s website. It is hoped that the diverse experience of directors will continue to strengthen corporate governance and operating synergy.<br>Specific management objectives: Gender (at least 1 female director), independence (at least 3 independent directors) and professional experience (at least 2 seats with textile industry background; at least 2 seats with finance background), and evaluates whether they can perform their duties after joining the board and bring the most benefits to the Company.<br>Among the directors, 27% concurrently hold a position as an employee. 36% are independent directors, and 18% are female directors, and the 4 independent directors have not served more than three terms. For the knowledge, skills and competence required to perform | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |

| Issues to be assessed  | Implementation Status |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | directors' duties, re-election of directors and independent directors, regular performance appraisal of the board and the selection of suitable candidates, please refer to p. 19.   |   |
| (2) Other than the salary and remuneration committee and the audit committee which are required by law, does the Company plan to set up other functional committees?   | ✓                     |    | Other than the salary and remuneration committee and the audit committee which are required by law, the Company has established a sustainable development committee in 2022 to reinforce the management function and realize corporate social responsibility and sustainable management. The Company will assess the needs of regulations, company operation and management to establish other functional committees.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (3) Has the Company established its Board Performance Appraisal Measures and the evaluation methods, conducted the performance appraisal regularly every year and provided the results to the board as the reference for directors' remuneration and nomination and renewal? | ✓                     |    | The Company has established the Board Performance Appraisal Measures, and complete the performance evaluation before the end of the next quarter after each fiscal year ends. The results are submitted to the board for approval as a reference for future nomination and continued appointment. For details, please refer to p. 34.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (4) Does the Company regularly evaluate its external auditors' independence?   | ✓                     |    | The CPA firm and CPAs appointed by the Company have no conflict of interest with the Company, and they strictly abide by their independence. We follow Article 47 of the Certified Public Accountant Act and the Bulletin #10 of the Code of Ethics for Professional Accountants to evaluate their independence and suitability at least once a year.<br>The independence assessment of CPAs for 2023 was reported to the 7th session of the 1st term of the Audit Committee and the 8th session of the 12th term of the board for deliberation on 2023.01.11., and for the The independence assessment of CPAs for 2024 was reported to the 13th session of the 1st term of the Audit Committee and the 13th session of the 12th term of the board for deliberation on 2024.01.26. For the assessment items and the statement letter issued by the CPA firm, please refer to pp. 289-290. | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |



| Issues to be assessed   | Implementation Status |    | Summary description   | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No |   |   |
| 4. Has the Company allocated qualified and sufficient number of personnel and appointed managers in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors to comply with laws, handling matters relating to board meetings and shareholder meetings according to laws, recording minutes of board meetings and shareholder meetings, etc.)? | ✓                     |    | <p>The Company has established a dedicated unit responsible for handling corporate governance tasks. Mei-Hung Chang, Director of Finance, was appointed to serve concurrently as the head of corporate governance on November 8, 2022. Corporate governance personnel was appointed to be responsible for handling tasks related to corporate governance. The implementation is to establish good practices for corporate governance, assist directors in carrying out their duties, ensure shareholders' rights and interests and improve the board's effectiveness.</p> <p>Mei-Hung Chang has more than three years of managerial experience in the financial management field of public companies.</p> <p>(1) Job responsibilities include:</p> <ol style="list-style-type: none"> <li>1. Assist independent directors and non-executive directors to perform their duties, provide required information and arrange continuing education courses for directors.</li> <li>2. Assist in the regulatory compliance matters of the procedures of board and shareholder meetings.</li> <li>3. Maintain investor relations.</li> <li>4. Formulate agenda of board meetings, convene the meetings and provide meeting materials before the date required by regulations. Complete the meeting minutes and distribute them to board members after the meetings.</li> <li>5. Pre-registration of the date of shareholder meetings, prepare meeting notice, meeting handbook, meeting minutes and the change of business registration before the statutory time limit.</li> <li>6. Based on the materiality principle, release material information immediately to investors.</li> </ol> <p>(2) Tasks carried out for 2023:</p> <ol style="list-style-type: none"> <li>1. Assist directors in performing their duties, and provide the information they need.</li> <li>2. Assist in the regulatory compliance matters with board and shareholder meetings, and complete the change registration matters with the competent authority before a deadline.</li> <li>3. Arrange 2023 directors' continuing education courses for directors.</li> <li>4. Communicate with directors and investors from time to time, so that they can understand the Company's current status.</li> <li>5. Complete renewal of liability insurance policies for directors and key employees. the directors.</li> </ol> | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |

| Issues to be assessed  | Implementation Status |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | 6. Before the board meetings, ask for the opinions of each director to formulate agenda. Complete the meeting minutes in accordance with the laws and regulations and send them to the directors.<br>7. Registration of the date of shareholder meetings, and submit annual reports, meeting notice, meeting handbook and meeting minutes before the statutory time limit.<br>(3) Continuing education status for the year: Please refer to P.XX           |   |
| 5. Has the Company established communication channels with stakeholders (including, but not limited to shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important? | ✓                     |    | The company website has a dedicated section for stakeholders. The Company maintains good communication with stakeholders such as banks, other creditors, employees, suppliers, communities or other companies, and exchanges opinions through an annual stakeholder survey.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| 6. Has the Company appointed a dedicated shareholder services agent to handle shareholder meeting matters?   | ✓                     |    | The Company has entrusted KGI Securities Co., Ltd. as the dedicated shareholder services agent.  | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| 7. Information disclosure<br>(1) Has the Company established a public website to disclose operational, financial, and corporate governance information?  | ✓                     |    | The disclosure of important information and messages on governance is announced through the Market Observation Post System for transparency, and communication channels are also available on the company website.   | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?   | ✓                     |    | The Company's website is available in English version and is maintained by a dedicated unit. We have implemented a system of spokesperson and acting spokesperson, and used the Market Observation Post System to release material information. The presentation materials used in the institutional investor meeting for each year are announced on the Market Observation Post System and the Company's official website for all stakeholders to review. | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |
| (3) Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters as well as its  |                       | ✓  | The Company's financial reports and revenue announcements are submitted on time in accordance with the laws and regulations without delay. However, due to a tight work schedule, the annual financial reports have not been announced within two months after the end of the fiscal year.   | Not complying with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.              |

| Issues to be assessed  | Implementation Status |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
| operating status for each month before the specified deadline.   |                       |    |  |   |
| 8. Does the Company have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)? | ✓                     |    | <p>(1) Presence and attendance of directors at board meetings: Attendance is good, and provide recommendations on a timely manner.</p> <p>(2) Continuing education of directors and supervisors: Please see pp. 44-47.</p> <p>(3) Supplier relationship: Maintain good interactions with suppliers and formulate supplier management policies. Regularly inspect the products they supply, and negotiate prices with them from time to time to ensure the quality and cost of purchases that can be competitive in the market.</p> <p>(4) Implementation of customer policies: Maintain communication with customers, regularly track and understand product use status, grasp the latest status of customers, and provide the best service.</p> <p>(5) The Company purchases liability insurance policies for directors and key managerial officers every year.</p> <p>(6) Employee rights and interests: The Company has a collective agreement with the labor union, and holds regular meetings for bilateral communication to ensure the best interests of employees. Through the formulation of relevant performance measures, employees are given incentives based on their performance.</p> <p>(7) Employee care: Regularly hold labor and employer meetings to improve the employment relationship and ensure clearly define the labor relations and conditions.</p> <p>(8) Investor relations: The Company announces material information on the Market Observation Post System in accordance with the law to protect the rights and interests of investors and has a spokesperson system to provide appropriate explanations to inquiries from investors.</p> <p>(9) Interests of stakeholders: In order to protect the rights and interests of stakeholders, the Company has established good and smooth communication channels as a practice to respect and safeguard stakeholders' rights</p> | Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.                     |

| Issues to be assessed   | Implementation Status |    |  | Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary description  |   |
|   |                       |    | and interests.<br>(10) Implementation of risk management policies and risk measurement standards: The Company has formulated various internal regulations according to law, carried out various risk management and assessment measures, and implemented them accordingly. |   |
| <p>9. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center.</p> <p>(1) Already improved:</p> <p>① Disclosure of English versions of meeting manuals, annual reports, and financial statements.</p> <p>② Establishment of risk management policies.</p> <p>(2) Matters to be prioritized:</p> <p>① Preparation of sustainability reports in accordance with the latest version of the GRI guidelines.</p> <p>② The company will continue to adhere to the roadmap of corporate governance, enhancing effectiveness in aspects such as "enhancing information transparency" and "strengthening the structure and operation of the board of directors", continuously improving the level of corporate governance.</p> |                       |    |  |   |

(VI) Salary and Remuneration Committee

Salary and Remuneration Committee has three members. It has completed the review of the 2023 remuneration system, the remuneration of directors, supervisors and managerial officers and other related motions, and submitted the relevant deliberation results to the board for approval.

1. Information on members of the Salary and Remuneration Committee:

Date: April 23, 2024

| Title<br>(Note 1)                 | Conditions<br><br>Name | Professional qualifications and experience (Note 2)   | Status of independence (Note 3)   | Number of other public companies for which the director concurrently serving as a salary and remuneration committee member |
|-----------------------------------|------------------------|---|---|--|
| Independent director and convener | Shui-Chin Chen         | Specialized in financial accounting. He had worked at Deloitte Taiwan. He is currently a licensed CPA. He is familiar with laws and regulation, and can offer effective recommendations on the remuneration policy and configuration of structure.          | None of the independent directors are involved in the following circumstances, and they all meet the criteria for independence:<br><br>1. Not been a person of any conditions defined in Article 30 of the Company Act.   | 3  |
| Independent Director              | Wan-Chung Chen         | He had worked as the VP of Triocean Textile. He has a professional background in textile fiber and practical management experience, and is familiar with the characteristics of the textile industry and the salary standard and structure of the industry. | 2. In accordance with the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”, there were no circumstances involved as specified in subparagraph 5 to 8, paragraph 1, Article 6 in the first two years of the appointment and during the term of office. | 0  |
| Independent Director              | Ji-Fu Lin              | He had worked as a director and president of Mega Bills. He is very experienced in commerce, finance and investment, and can offer guidance and recommendations on the Company’s operational control and achievement of business objectives.                | 3. The amount of remuneration received by providing the Company or its affiliates with business, legal, financial, accounting and other services in the last 2 years: None.   | 0  |

Note 1: Please refer to pp. 16-21 for the table on directors' information.  
 Note 2: Describe the professional qualifications and experience of each salary and remuneration committee member.  
 Note 3: Independence compliance: Describe the compliance of salary and remuneration committee members with independence requirements.  
 Note 4: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 5th term of the Salary and Remuneration Committee members is from August 20, 2021 to August 19, 2024.  
 Note 5: Independent director Mr. Zai Ke resigned from the position due to personal business on February 18, 2022. The by-election held at the shareholder meeting on June 29 elected Mr. Ji-Fu Lin as an independent director.

## 2. Operations of the Salary and Remuneration Committee

(1) The Salary and Remuneration Committee has 3 members.

(2) The 5th term of the Salary and Remuneration Committee has had 8 meetings since August 20, 2021.

Qualifications and attendance of committee members:

| Title                           | Name           | Actual Attendance in Person | Attendance by Substitution | Percentage of Actual Attendance (%) | Remark                        |
|---------------------------------|----------------|-----------------------------|----------------------------|-------------------------------------|-------------------------------|
| Independent Director (Convener) | Shui-Chin Chen | 8                           | 0                          | 100%                                | New appointment               |
| Independent Director            | Wan-Chung Chen | 8                           | 0                          | 100%                                | Re-elected                    |
| Independent Director            | Ji-Fu Lin      | 6                           | 0                          | 100%                                | Appointed on May 9, 2022      |
| Independent Director            | Zai Ke         | 1                           | 0                          | 100%                                | Resigned on February 18, 2022 |

Note: Independent director Mr. Zai Ke resigned from the position due to personal business on February 18, 2022. On May 9 in the same year, Mr. Ji-Fu Lin was appointed as one of the members of the Salary and Remuneration Committee. The by-election held at the shareholder meeting on June 29 elected Mr. Ji-Fu Lin as an independent director.

Other issues to be recorded:

- I. If the board of directors does not adopt or amend the recommendations from the Salary and Remuneration Committee, it shall clarify the date, session, proposal content and resolution of the board and how the Company handles the recommendations of the Committee (such as that the salary and remuneration approved by the board are better than what the Committee recommended, and the differences and reasons should be clarified): None.
- II. If the Committee members have objections or reservations and there are records or written statements from the meetings, the date, term, proposal content, opinions of all members and the handling of their opinions shall be clearly stated: None.

3. The Salary and Remuneration Committee provided review and assessment of the salary and remuneration information for 2023 along with the data up to the latest quarter as follows:

| Meeting date                                  | Discussion Topics  | Resolutions  | Company's Opinions   |
|---|--|--|--|
| 2023/01/11<br>The 4th session of the 5th term | <ol style="list-style-type: none"> <li>1. Amendment to the "Measures for Calculation and Distribution of Remuneration for Directors and Supervisors".</li> <li>2. 2023 salary and remuneration for directors.</li> <li>3. Amendment to the "Salary and Remuneration Committee Organizational Charter".</li> <li>4. The Company's itemized payment of salary and remuneration to managerial officers in 2023 and the distribution of year-end bonuses in 2022.</li> </ol> | Unanimous vote of approval by all committee members in presence. | Submitted to the board for discussion, and unanimous approval by all directors present at the board meeting. |
| 2023/03/21<br>The 5th session of the 5th term | <ol style="list-style-type: none"> <li>1. Settlement of severance payment for tenure of managerial officers and employees.</li> <li>2. Retirement and re-employment of managerial officers and employees.</li> </ol>   | Unanimous vote of approval by all committee members in presence. | Submitted to the board for discussion, and unanimous approval by all directors present at the board meeting. |
| 2023/04/19<br>The 6th session of the 5th term | <ol style="list-style-type: none"> <li>1. Appointment of the company's manager.</li> </ol>   | Unanimous vote of approval by all committee members in presence. | Submitted to the board for discussion, and unanimous approval by all directors present at the board meeting. |
| 2023/06/16<br>The 7th session of the 5th term | <ol style="list-style-type: none"> <li>1.Reduction of salary for managers of the Company</li> </ol>  | Unanimous vote of approval by all committee members in presence. | Submitted to the board for discussion, and unanimous approval by all directors present at the board meeting. |
| 2024/01/20<br>The 8th session of the 5th term | <ol style="list-style-type: none"> <li>1. 2024 salary and remuneration for directors.</li> <li>2. Payment of salary and remuneration for the newly appointed head of internal audit and head of accounting of the Company.</li> <li>3. The Company's itemized payment of salary and remuneration to managerial officers in 2024 and the distribution of year-end bonuses in 2023.</li> </ol>   | Unanimous vote of approval by all committee members in presence. | Submitted to the board for discussion, and unanimous approval by all directors present at the board meeting. |

Note: The Company re-elected directors at the annual general meeting of shareholders on August 20, 2021. The term of office of the 5th term of the Salary and Remuneration Committee members is from August 20, 2021 to August 19, 2024.

4. Duties and powers of the Salary and Remuneration Committee:

- (1) The Salary and Remuneration Committee shall faithfully perform the following duties with attention as a good administrator and shall submit its recommendations to the board for discussion.  
However, recommendations regarding compensation for independent directors may be submitted to the board for discussion only when the board is expressly authorized to resolve on that matter by the Articles of Incorporation or by a resolution of the shareholders meeting:
  - ① Establish and periodically review the annual and long-term performance for the directors and managerial officers and the standard and structure for their compensation.
  - ② Regularly assess the performance targets of the directors and managerial officers and determine conditions and amount of each individual's salary and remuneration.
- (2) The Salary and Remuneration Committee shall abide by the following principles when fulfilling the abovementioned duties:
  - ① The performance evaluation of the directors and managerial officers and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operating performance and future risks.
  - ② It shall not produce an incentive for the directors or managerial officers to engage in activities to pursue remuneration exceeding the risks that the company may tolerate.
  - ③ It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior managerial officers and the time for payment of the variable part of remuneration.



(VII) Status of promotion of sustainable development and its difference from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

| Issues to be Assessed  | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
| 1、Has the Company established a governance structure to promote sustainable development, and set up a dedicated (or one holding concurrent positions) unit to promote sustainable development, with the board authorizing the senior management to manage the organization which is supervised by the board? | ✓                     |    | The Company has established the "Sustainable Development Committee" under the board, which is composed of at least 3 board members, including at least 2 independent directors. The chairman serves as the convener and chairperson of the meetings. The term of office is the same as that of the appointed board. Responsible for the planning of strategies and systems related to the annual implementation plans of sustainability and corporate governance. The committee holds meetings at least twice a year and produces reports to the board at least once a year. The board reviews the results presented by the Sustainable Development Committee, and revises the strategic goals in a timely manner. Please refer to pp. 74-75 for details on the relevant implementation. | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |
| 2、Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies and strategies?   |                       | ✓  | The company following the "Guidelines for the Practice of Risk Management for Listed and Over-the-Counter Companies," our company has formulated the "Risk Management Policy and Procedures," focusing on the parent company to assess relevant risk factors.<br>Following significant domestic and international issues of the current year, and adhering to the principle of materiality, we identified environmental, social, and corporate governance (ESG) as the three main dimensions for risk assessment. We conducted a questionnaire survey targeting senior internal executives and developed a risk matrix based on the degree of exposure to risk factors identified in the survey results.   | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies to an extent.                       |

| Issues to be Assessed   | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary description  |   |
|   |                       |    | Subsequently, corresponding control measures and tracking were proposed.   |   |
| <p>3、Environmental issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p>   | ✓                     |    | <p>The Company implemented the ISO14001 environmental management system in 2022. The Health and Safety Section is responsible for the implementation of relevant systems, and establishes an effective enterprise management system to prevent and control pollution, improve the utilization rate of energy and resources. The Company has obtained the Oeko-Tex Standard 100 certification based on its industry characteristics. (Effective period: 2023.07.16-2024.07.15)</p> <p>The environmental management is carried out in accordance with relevant environmental protection laws and regulation, and various permits for point source discharge have been obtained. Please see page 287 for details.</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |
| <p>(2) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?</p> | ✓                     |    | <p>The Company is committed to the improvement of manufacturing process and products, and the use of recycling technology to regenerate raw materials into fibers. The main products developed in the future will emphasize circular economy, supplemented by the awareness of product life cycle. The implementation will optimize design and manufacturing process and greatly reduced carbon emissions, and be eco-friendly, further delaying the consumption of petrochemical resources.</p> <p>The nine main categories of products have obtained the ISO14067 Verification Statement of Product Carbon Footprint issued by BSI Taiwan for the verification at a reasonable level of assurance.</p>           | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

| Issues to be Assessed  | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | Promote energy conservation in the entire factory area to eliminate waste of resources. E-filing is adopted to reduce paper use, and an investment of NT\$23 million was made to establish solar panel facilities in 2023, resulting in an average annual reduction of 322 metric tons of carbon emissions, effectively implementing low-carbon transformation.  |   |
| (3) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues? | ✓                     |    | <p>The Company has established an internal self-managing energy system. Energy-saving goals and implementation plans are formulated in accordance with the requirements of the Bureau of Energy of the Ministry of Economic Affairs for energy users to continue to improve equipment and reduce electricity consumption. Solar photovoltaic equipment has been set up to support green energy and the move towards more than 1% of electricity save.</p> <p>The company obtained ISO 50001 certification, and also actively promotes various environmental protection, energy conservation and carbon emissions reduction measures to reduce GHG emissions.</p> <p>Discuss the risks and opportunities caused by climate change:</p> <p>1. Increased frequency and severity of typhoons</p> <p>Countermeasures:</p> <p>① The production line is equipped with uninterruptible power supply systems.</p> <p>② Improve drainage and dredging of ditches.</p> <p>③ Regularly maintain the equipment in the computer room and purchase relevant commercial insurance.</p> <p>2. Increase expenditure for low-carbon transformation.</p> <p>Countermeasures:</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

| Issues to be Assessed | Implementation Status |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|-----------------------|-----------------------|----|---|---|
|                       | Yes                   | No | Summary description   |   |
|                       |                       |    | <p>① Promote energy conservation and carbon emissions reduction plans in steps.</p> <p>② Optimize product structure and produce eco-friendly products.</p> <p>③ Reduce environmental pollution and waste volume.</p> <p>3. Add sustainability-related requirements and standards.</p> <p>Countermeasures:</p> <p>① Promote energy conservation and carbon emissions reduction plans in steps.</p> <p>② Install solar panels in the factory area for in-house use</p> <p>4. Average temperature rises</p> <p>Countermeasures:</p> <p>① Keep doors closed to maintain indoor circulation of air-conditioning.</p> <p>② Sprinklers are installed on the exterior walls for cool-down effect.</p> <p>③ Use thermal insulation building materials to reduce heat conduction.</p> <p>④ Install solar panels to absorb heat.</p> <p>⑤ Develop products that can help regulate and reduce temperature.</p> <p>⑥ The office and production lines have switched to energy-saving and power-efficient products.</p> <p>5. Opportunity Analysis:</p> <p>① Anticipated Growth in Revenue from Green Products: Forecast suggests that revenue from green products is expected to grow annually. Developing low-carbon products can enhance market share.</p> <p>② Resource Reduction and Recycling: Implementing strategies to reduce resource consumption, enhance water efficiency, and</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

| Issues to be Assessed  | Implementation Status |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
|  |                       |    | <p>increase the recycling rate of wastewater can lead to decreased operational costs.</p> <p>③Alignment with Company Policies: Gradually replacing outdated equipment in line with company policies can result in reduced energy consumption and improved production efficiency.</p>  |   |
| (4)Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste the past two years and established management policies for energy saving and reduction of greenhouse gas emission, water consumption and other wastes? | ✓                     |    | <p>The Company has formulated the “Environmental Protection Management Measures”, and is committed to reducing energy and water resource consumption. We have continued to improve the use of water in our manufacturing processes. The sources of water are tap water and recycled water. We have developed and promoted the dope dyeing process, which can greatly reduce the water consumption of downstream customers.</p> <p>Through external verification units, the company has established an ISO 14001 environmental management system and received guidance on ISO 14064-1 organization-level greenhouse gas inventory. It has also obtained certification for carbon footprint across nine major product categories. The company has set a goal to reduce product unit energy consumption by 20%, and Passed the ISO50001 energy management system certification in November 2023.</p> <p>During 2021 to 2023, the company conducted inventory assessments of greenhouse gas emissions, water usage, and total waste across three main factory sites (Pu-Yen Plant, Fang-Yuan Plant, Dou-Liu Plant). The combined statistical data reveals the following:</p> <p>(1) Greenhouse Gas Emissions (Unit:</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

| Issues to be Assessed | Implementation Status |           |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
|-----------------------|-----------------------|-----------|--|---|--|--|------|------|------|--------|--------|--------|--------|-----------|-----------|------|------|------|-------------------|---------|---------|----------------------|--------|--------|--|
|                       | Yes                   | No        | Summary description  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
|                       |                       |           | <table border="1"> <thead> <tr> <th colspan="3">Metric Tons CO2e)</th> </tr> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Scope1</td> <td>742.46</td> <td>965.97</td> </tr> <tr> <td>Scope2</td> <td>42,601.28</td> <td>38,566.85</td> </tr> </tbody> </table> <p>Based on the year of 2021, the goal is to reduce carbon emissions by 30% by the year 2030, with an annual reduction target of 3.3%.</p> <p>In 2023, there was a reduction of 10.87% compared to 2022, achieving an actual reduction.</p> <p>Primary Initiatives:</p> <p>① Gradual Replacement and Promotion of Energy-saving Equipment in Offices (lighting, air conditioning), resulting in an annual carbon emissions reduction of 2.4 metric tons.</p> <p>② Replacement of Old Air Compressors with New Ones and Implementation of SCADA Energy Management System for Public Equipment, leading to a reduction of 2,629.33 metric tons of carbon emissions annually.</p> <p>③ Installation of Solar Panels.</p> <p>④ Process Improvement to Reduce Carbon Emissions:<br/>(Development of recycling and renewable materials to replace petrochemical raw materials.)</p> <p>⑤ Transitioning all diesel-powered forklifts in the factory to electric ones.</p> <p>⑥ Digitization of Forms to Reduce Paper Usage.</p> <p>(2) Water Usage (Unit: Tons):</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Total Water Usage</td> <td>210,231</td> <td>185,535</td> </tr> <tr> <td>Recycled Water Usage</td> <td>21,300</td> <td>30,590</td> </tr> </tbody> </table> | Metric Tons CO2e)   |  |  | Year | 2022 | 2023 | Scope1 | 742.46 | 965.97 | Scope2 | 42,601.28 | 38,566.85 | Year | 2022 | 2023 | Total Water Usage | 210,231 | 185,535 | Recycled Water Usage | 21,300 | 30,590 |  |
| Metric Tons CO2e)     |                       |           |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Year                  | 2022                  | 2023      |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Scope1                | 742.46                | 965.97    |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Scope2                | 42,601.28             | 38,566.85 |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Year                  | 2022                  | 2023      |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Total Water Usage     | 210,231               | 185,535   |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |
| Recycled Water Usage  | 21,300                | 30,590    |  |   |  |  |      |      |      |        |        |        |        |           |           |      |      |      |                   |         |         |                      |        |        |  |

| Issues to be Assessed   | Implementation Status |        |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |        |        |      |      |      |                         |        |        |  |
|-------------------------|-----------------------|--------|---|---|--------|--------|------|------|------|-------------------------|--------|--------|--|
|                         | Yes                   | No     | Summary description   |   |        |        |      |      |      |                         |        |        |  |
|                         |                       |        | <table border="1"> <tr> <td>Recycling Rate</td> <td>10.13%</td> <td>16.49%</td> </tr> </table> <p>Based on the baseline year of 2021, the goal is to increase the water recycling rate by 3.3% annually until year 2030.</p> <p>In 2023, there was an actual increase of 6.36% in the water recycling rate compared to 2022.</p> <p>Primary Initiatives:<br/>           ①Implementation of Ice Water System Recycling.<br/>           ②Promotion of Daily Water Conservation Awareness.</p> <p>(3) Waste Quantity (Unit: Tons):</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Waste Disposal Quantity</td> <td>250.28</td> <td>258.87</td> </tr> </tbody> </table> <p>Note: The waste generated by the company is general industrial waste, with no hazardous industrial waste.</p> <p>Based on the baseline year of 2021, the goal is to reduce waste quantity by 3.3% annually until 2030.</p> <p>In 2023, there was an actual increase of 3.43% in waste reduction compared to 2022. (The main reason is the downsizing of production lines and reorganization of plants, resulting in an increase in disposable waste.)</p> <p>Primary Initiatives:<br/>           1. Obtaining GRS certification and implementing packaging material recycling to reduce waste quantity.<br/>           2. Process technology improvement and reduction of raw materials to minimize waste generation and decrease waste quantity through source management.</p> | Recycling Rate  | 10.13% | 16.49% | Year | 2022 | 2023 | Waste Disposal Quantity | 250.28 | 258.87 |  |
| Recycling Rate          | 10.13%                | 16.49% |   |   |        |        |      |      |      |                         |        |        |  |
| Year                    | 2022                  | 2023   |   |   |        |        |      |      |      |                         |        |        |  |
| Waste Disposal Quantity | 250.28                | 258.87 |   |   |        |        |      |      |      |                         |        |        |  |
| 4、Social Issues         |                       |        |   |   |        |        |      |      |      |                         |        |        |  |

| Issues to be Assessed   | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary description  |   |
| (1) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?   | ✓                     |    | <p>The Company abides by the International Bill of Human Rights and has established the Acelon Bill of Human Rights based on the Universal Declaration of Human Rights to protect the basic human rights of all employees and stakeholders, explicitly prohibited child labor, eliminated various forms of forced labor and employment discrimination and regularly reviewed and assessed relevant systems and operations.</p> <p>Through the ISO 45001 occupational safety and health management system, we are committed to providing employees with a safe and healthy working environment and necessary health and first aid measures. Due to the characteristics of the industry we are in, potential risks of occupationally induced ear deterioration are carefully managed.</p> <p>For 2023, the Company had no human rights violations and did not receive any receive reports. The Company also protects the rights and interests of employees in accordance with labor laws and regulations by appropriating funds for pensions and establishing an Employee Welfare Committee to handle various welfare matters. A collective agreement has also been signed with the labor union. Employee-employer meetings are held every quarter to promote labor relations and protect the rights and interests of employees.</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |
| (2) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy? | ✓                     |    | <p>The Company has established comprehensive salary, reward, bonus, retirement, welfare, and promotion management methods, and followed government regulations to handle relevant labor, health insurance, and vacation measures. The implementation of the "Employee share ownership trust" program can improve employee</p>  |   |



| Issues to be Assessed | Implementation Status |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|-----------------------|-----------------------|----|---|---|
|                       | Yes                   | No | Summary description   |   |
|                       |                       |    | <p>welfare and retention, further encouraging employees to collaborate with the Company to co-create good performance.</p> <p>The promotion is employees is based on equality, and is not affected by factors such as race, political party, gender, physical and mental disabilities, marital status, pregnancy, sexual orientation, etc., so that the composition of employees is diversified. Females account for 30% of the total number of employees, and 35% of the senior executives.</p> <p>If the Company is profitable for the year, 3% to 5% of the profits will be allocated as employee benefits in accordance with the Articles of Incorporation. Remuneration includes salary and bonus. The distribution of bonuses takes into account the overall operating performance of the Company and personal performance and contribution (Execution of Business Operational Strategies and Management Risk Assessment Recommendations )before corresponding reasonable remuneration is paid.</p> <p>The pension system planned for the Company's employees includes the defined benefit plan (old pension system) in accordance with the Labor Standards Act and the defined contribution plan (new pension system) in accordance with the Labor Pension Act.</p> <p>In terms of the old pension system, 3% of employee salary is allocated as employee pension on a monthly basis, and the allocated amounts are deposited to the dedicated accounts in the Bank of Taiwan in the name of the independent retirement fund committee. The balance in the account for the old pension system is</p> | <p>Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>                             |

| Issues to be Assessed  | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | <p>currently sufficient.</p> <p>As for the new pension system, an amount equal to 6% of employees' monthly salaries and wages is allocated to employees' personal pension account at the Bureau of Labor Insurance on a monthly basis.</p> <p>In addition to allocating funds to the pension account in accordance with laws and regulations, we also appoint an actuarial company to handle the pension reserves to ensure employees' rights after retirement and the full allocation of funds.</p>   |   |
| (3) Has the Company provided employees with a safe and healthy working environment and regularly conducted safety and health training? | ✓                     |    | <p>We value employee safety and health, and regularly hold safety and health education courses and fire drills. We promote a smoke-free policy, and regularly conduct testing of the work environment and assess hazard control and provide sufficient protective equipment.</p> <p>The Safety and Health Committee conducts quarterly reviews and publishes safety and health reminders on a monthly basis to form a safe and healthy organizational culture, so that every employee develops a work habit that values safety and health.</p> <p>In accordance with the "Implementation Measures for Labor Work Environment Monitoring", we entrust a qualified work environment monitoring agency to conduct regular monitoring. The inspection items include noise and carbon dioxide. Health checks are carried out every year to protect employee health.</p> <p>Our plants in Puyan and Fangyuan have obtained the Workplace Health Promotion Certification mark from the Health Promotion Administration of the Ministry of Health and Welfare, The Douliu factory has obtained the Healthy Workplace</p> | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

| Issues to be Assessed | Implementation Status |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|-----------------------|-----------------------|----|---|---|
|                       | Yes                   | No | Summary description   |   |
|                       |                       |    | <p>Certification mark from the same agency, Puyan factory was also certified by Changhua County Friendly Lactation Center.</p> <p>In 2023, a series of seminars on daily health and hearing protection for degenerative joints were organized at the Puyan Plant; a CPR+AED course and a seminar on occupational injuries and diseases were held at the Fangyuan Plant; a series of seminars on hearing protection, stress relief activities, and five cancer screening introduction seminars were organized at the Douliu Plant; a noise-induced hearing loss seminar was held at subsidiary AceGreen.</p> <p>In this year, the company obtained ISO 45001 certification for Occupational Health and Safety Management System (valid until April 17, 2026), aiming to provide a safe and healthy working environment for all employees.</p> <p>In 2023, the corporate group had 3 occupational incidents, of which, 2 were injuries involving rolling and crimping of machinery, and 1 involved collision. The total number of work days lost was 50 days, and the number of the injured accounted for 0.63% of the total number of employees. For occupational accidents in the factories, we conducted education and training sessions, reinforced cleaning of the environment and re-assessed hazards in our processes.</p> <p>There was no fire incident and no casualties due to fire during the year. The Company regularly organizes fire-fighting, reporting and evacuation training, and implements relevant fire prevention management</p> |   |

| Issues to be Assessed  | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | systems in accordance with the Fire Services Act.  |   |
| (4)Has the Company established an effective career development training program for employees?   | ✓                     |    | <p>We have formulated the Education and Training Management Procedures, and established the Education and Training Committee to regularly review training programs and the relevant results for the development of employee careers and capacity. We are committed to creating a diverse and rich learning environment to help employees define their career positioning.</p> <p>In recent years, we have been promoting our “Key Position Functional Development Project”. By knowing our core, management and professional functions, we are able to define and establish standards for various capabilities. At the same time, we assess capability gaps in our manpower and launch systematic nurturing activities to ensure the development of management talents, so that everyone can have a smooth career path to further improve the Company’s competitiveness.</p> | Comply with the Corporate Social Responsibility Best Practice Principles for  |
| (5)Has the Company complied with the relevant regulations and international standards and formulated policies for the protection of consumers’ and clients’ rights and interests and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services? | ✓                     |    | <p>The Company follows relevant laws, regulations and international guidelines in marketing and labeling of products and services. The products have obtained the Oeko-Tex Standard 100 certification to ensure users’ health and safety. We also regularly disseminate rules specified in our “Codes of Ethical Conduct” and the “Ethical Corporate Management Best Practice Principles” to protect customers’ privacy and confidentiality. .</p> <p>We have established the “Customer Complaint Handling Procedures”. For customers’ feedback on our products and quality, we adopt a rigorous and objective approach in our handling of the feedback and</p>  | Comply with the Corporate Social Responsibility Best Practice Principles for  |

| Issues to be Assessed   | Implementation Status |    |  | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary description  |   |
|   |                       |    | improvement to meet customer expectations. For related concerns or dissatisfaction, they can visit the stakeholder section on our website or directly contact us to file grievances.   |   |
| (6)Has the Company established supplier management policies that require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation? | ✓                     |    | <p>We wish to promote the philosophy and practices of corporate social responsibility to our supply chain to have partners protect the environment and improve worker safety and health and labor human rights with us. We allocate the majority of our purchases from suppliers who have obtained the ISO 14001, ISO 50001, OEKO-TEX, GRS, REACH and FSC environmental certifications in order to fulfill green procurement.</p> <p>We also have formulated the “Supplier Management Procedures”, and classified our suppliers based on the basic evaluation of delivery and quality every quarter. We also evaluate how our procurement actions have environmental and social impacts on the communities where the supply sources are located at.</p> <p>We have established the “Supplier CSR Letter of Commitment”, and required major and newly added suppliers to sign this letter when signing contracts to ensure that their practices with environmental protection, occupational safety and labor human rights comply with national laws and regulations and are properly implemented. For suppliers who have a significant impact on the environment or society, we may terminate or rescind the contracts at any time.</p> | Comply with the Corporate Social Responsibility Best Practice Principles for  |

| Issues to be Assessed  | Implementation Status |    |   | Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for discrepancies. |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
| 5、Has the Company referred to international reporting standards or guidelines in its preparation of sustainability reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations? | ✓                     |    | We follow the latest GRI guidelines released and the AA1000 AccountAbility Principles to produce our sustainability report, which is placed in our website to disclose in detail our active implementation of sustainability in the economic, environmental and social fields. The report is verified by a third-party verification unit, the BSI, based on the AA1000AS standard and the GRI Standards: 2016 Core. | Comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.                                    |

6、If the Company has established its own sustainability principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation in the Company:

The board resolved to approve the “Corporate Social Responsibility Best Practice Principles” on November 7, 2017, and the board resolution made on January 20, 2022 approved the amendment to rename it the “Sustainable Development Best Practice Principles” in accordance with changes in laws and regulations.

For the implementation and specific actions of our corporate social responsibility, please refer to the section “Status of Implementation of Sustainable Development” in this annual report. There is no significant different between our implementation and the established guidelines.

7. Other important information for facilitating the understanding of sustainability and its implementation:

(1) The board resolution made on March 10, 2022 approved the establishment of the Sustainable Development Committee, which is composed of board members. The Committee aims to reinforce corporate governance and board functions to achieve sustainability. The powers include:

- ① Formulate the corporate sustainable development report.
- ② Track, review and revise the implementation and effectiveness of the Company's sustainable development.
- ③ Produce the content of the corporate sustainable development report.
- ④ Review, recommendations and tracking of implementation performance of the corporate governance practices and annual implementation schedule and progress.
- ⑤ Other matters that the board resolves to have the committee to handle.

## 8. Sustainable Development Committee

### (1) Duties and responsibilities of the Sustainable Development Committee:

| Group                   | Responsibility   | Promotion focus  | Responsible unit   |
|-------------------------|--|--|--|
| Corporate governance    | Promote and implement corporate governance for sustainability.   | Corporate governance, internal audit, regulatory compliance, risk management                                     | Chairman's Office, Finance Division, Auditing Office, Legal Affairs Section, Information Section |
| Partnership             | Exert influence to collaborate with upstream and downstream partners to promote sustainability matters, continue to improve product quality and meet customer satisfaction.    | Customer relationship management, supply chain management, marketing, R&D and innovation                         | Sales Division, Marketing Division, R&D Division, Materials Section                              |
| Employee Care           | With win-win situation and joint growth for employer and employees as the goals, promote various employee welfare measures and create a safe and health workplace environment. | Employee welfare, career planning, occupational safety, human rights management                                  | Human Resources Section, Health and Safety Section   |
| Sustainable environment | In response to risks and opportunities of climate change, formulate relevant environmental protection policies and plan and promote response measures.                         | Environmental protection, energy conservation and carbon reduction, water resources management, waste management | Production Department, Engineering Services Department, Management Section                       |
| Society co-prosperity   | Commit corporate resources to local neighborhoods and promote society co-prosperity to fulfill corporate social responsibility.  | Local care, social welfare, industry-academia collaboration  | Human Resources Section, Management Section  |

### (2) Performance of the Sustainable Development Committee:

The current term of the Committee is from August 20, 2021 to August 19, 2024. It mainly discusses and formulates the directions and goals of sustainable development and the related management measures and specific promotion plans.

The Committee has had 5 meetings from August 20, 2021 to the publication date of the annual report.

| Title                | Name           | Actual Attendance in Person | Attendance by Substitution | Percentage of Actual Attendance (%) | Specializations                             |
|----------------------|----------------|-----------------------------|----------------------------|-------------------------------------|---|
| Chairman (Convener)  | Wen-Tung Chou  | 5                           | 0                          | 100%                                | Corporate governance, operations management |
| Independent Director | Shui-Chin Chen | 5                           | 0                          | 100%                                | Corporate governance, financial auditing    |
| Independent Director | Wan-Chung Chen | 5                           | 0                          | 100%                                | Corporate governance, operations management |
| Independent Director | Ji-Fu Lin      | 4                           | 0                          | 100%                                | Corporate governance, financial auditing    |

(3) Discuss and resolutions of the Sustainable Development Committee since 2023 until the publication date of the annual report:

| Meeting date                              | Discussion Topics   | Resolutions  | Company's Opinions                          |
|---|---|--|---|
| 2023/05/05<br>The 3rd session of 1st term | 1.Inventory of the GHG and verification plans.<br>2.Planning for the 2022 Sustainability Report.<br>3.Report on the 2023 Sustainable Development Plan which the Company plans to promote.<br>4.Amendment to the Sustainable Development Best Practice Principles. | Unanimous vote by all committee members in presence. | According to the resolution of the meeting. |
| 2023/11/06<br>The 4th session of 1st term | 1. Report on the preparation of the 2022 Sustainability Report.<br>2. Report on the 2023 sustainability development implementation progress.  | Unanimous vote by all committee members in presence. | According to the resolution of the meeting. |
| 2024/05/10<br>The 5th session of 1st term | 1.Inventory of the GHG and verification plans.<br>2.Planning for the 2023 Sustainability Report.<br>3.Report on the 2024 Sustainable Development Plan which the Company plans to promote.   | Unanimous vote by all committee members in presence. | According to the resolution of the meeting. |



1. Status of fulfillment of CSR in 2023:

| Description of activities and name of organizations                                       |   |                                     |
|---|---|-------------------------------------|
| Volunteer firefighter squad in Puyan  | Sponsorship   | Sponsorship                         |
| Yong-Le Community Development Association   | Shared meals for senior citizens in 2023                                    | Sponsorship                         |
|   | Lucky draw at end-of-year banquet   | Sponsorship with supplies           |
| Yong-Le Elementary School   | Students' graduation ceremony   | Sponsorship with supplies           |
| Macuo Elementary School   | Students' graduation ceremony   | Sponsorship with supplies           |
| Tian-Sheng Elementary School  | Students' graduation ceremony   | Sponsorship with supplies           |
| Corporate Volunteer   | Coastal Cleanup   | Personnel Participation             |
| Southwest Rotary Club   | Blood Donation Event  | Sponsorship with supplies           |
| Community Development Association of Hehshing Community, Ershui Township, Changhua County | Old Railway Greening  | Sponsorship                         |
| Changhua Family Support Center  | 2023 year-end winter "Care for Changhua Families and Children" Charity Fair | Sponsorship                         |
| Ershui Township Office  | 2023 Ershui International Water Festival                                    | Sponsorship with funds and supplies |

(VIII) Climate-related information of TWSE/TPEX-listed companies

(1) Implementation of climate-related information:

| Description   | Status of implementation  |  |                       |   |
|---|---|--|-----------------------|---|
| 1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and management.                            | The Company has established an ESG Committee with a "sustainable environment" team set up to promote relevant policies in accordance with the regulations of the competent authority. Regular meetings on domestic and foreign climate-related issues are held to keep abreast of the Company's sustainable development, with target implementation tracked to be reported to the Board of Directors. |  |                       |   |
| 2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term). | The Company has referred to the guidelines issued by the Climate-related Financial Disclosures (TCFD), and formulated response measures and strategies based on the duration and impact of risk factors. The impacts are listed as follows:   |  |                       |   |
|   | (1) Climate risk  |  |                       |   |
|   | Sorting   | Potential risk impacts   | Duration              | Responding measures   |
|   | 1   | Extreme weather causing flooding, resulting in interruption of operations and damage to finished goods inventory, reducing operating profits or assets | Short and medium term | <ul style="list-style-type: none"> <li>◆Production lines are equipped with emergency response measures such as uninterruptible power supply system.</li> <li>◆Improve drainage and dredging of ditches.</li> <li>◆Regular inspections and maintenance of server room equipment</li> <li>◆Commercial insurance coverage</li> </ul> |
|   | 2   | Increase expenditure for low-carbon transformation.  | Medium and long term  | <ul style="list-style-type: none"> <li>◆Promote energy conservation and carbon emissions reduction plans in steps.</li> <li>◆Optimize product structure and produce eco-friendly products.</li> <li>◆Improve process source and reduce waste</li> </ul>   |
|   | 3   | Increased demands and regulations related to sustainability, resulting in additional carbon reduction costs  | Medium and long term  | <ul style="list-style-type: none"> <li>◆Continue to monitor the trend of domestic and foreign carbon tax and carbon-related laws and regulations</li> </ul>   |
|   | 4   | Rising average temperature results in higher electricity costs   | Medium term           | <ul style="list-style-type: none"> <li>◆Keep doors closed to maintain indoor circulation of air-conditioning.</li> <li>◆Use thermal insulation building materials to reduce heat conduction.</li> <li>◆Purchase and use energy-saving products</li> <li>◆Introduce ISO50001 energy management system</li> </ul>                   |
| (2) Climate opportunities   |   |  |                       |   |
| Sorting   | Potential opportunity   | Duration   | Responding measures   |   |

|  |   |   |                      |   |
|--|---|---|----------------------|---|
|  |   | impacts   |                      |   |
|  | 1   | Support low-carbon and sustainable products and reduce operating costs through green procurement and supplier management        | Medium term          | <ul style="list-style-type: none"> <li>◆Conduct relevant review before supplier transactions</li> <li>◆Enter into contract of sale with environmentally certified suppliers for large-scale purchases</li> </ul>  |
|  | 2   | Develop low-carbon products and increase revenue  | Medium and long term | <ul style="list-style-type: none"> <li>◆Product carbon footprint inventory</li> <li>◆Expand market share and upgrade core technology</li> <li>◆Develop products that regulate and reduce temperature. Satisfy the needs of the market and customers.</li> </ul> |
|  | 3   | Natural disaster crisis management, avoid the risk of business interruption, improve customer trust, and reduce business losses | Long term            | <ul style="list-style-type: none"> <li>◆Formulate effective adaptation measures to provide stable services in various businesses and segments</li> <li>◆Formulate business continuity plan</li> <li>◆Regular perform disaster response measures</li> </ul>      |
| Describe the financial impacts of extreme climate events and transformational actions.   | Please refer to Item 2 for the financial impact that may be caused by business interruption, low-carbon transformation actions, and compliance with sustainability-related laws and regulations caused by extreme weather.  |   |                      |   |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.  | The "Risk Management Policies and Procedures" of the Company were passed at the 11th meeting of the 12th Board, identifying material risk factors based on the average value of risk exposure calculated by the "probability of occurrence" and "degree of impact" under the three major ESG categories. The Company evaluates its operations based on three major aspects: "operation", "finance" and "human resources", proposes corresponding measures, and conducts regular follow-up based on the key points raised. |   |                      |   |
| 5. If a scenario analysis is used to evaluate the resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used shall be explained. | The Company has not yet conducted climate change risk assessment through scenario analysis.   |   |                      |   |
| 6. If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, and the indicators and  | The Company does not yet have a transformation plan to manage climate-related risks, but has voluntarily conducted an inventory of GHG emissions and product carbon footprints, replaced old equipment, and purchased energy-saving products.   |   |                      |   |

|  |  |
|--|--|
| <p>targets used to identify and manage physical risks and transformation risks.</p>  |  |
| <p>7. If the internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.</p>  | <p>The Company has not yet used internal carbon pricing as a planning tool.</p>  |
| <p>8. If climate-related targets have been set, specify the activities covered, the scope of GHG emissions, the planned schedule, and the progress made in each year. If carbon credits or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and quantity of carbon credits to be offset or the quantity of renewable energy certificates (RECs) shall be specified.</p> | <p>Using the three parent company's plants as the scope and 2021 as the base year, the Company reduced carbon emissions by 30% (including Scope 1 and Scope 2) as of 2030, and aims to reduce carbon emissions by 3.3% per year . In 2022, the Company conducted ISO14001 and ISO14064-1 organizational GHG inventory counseling through an external certifying organization. In the same year, the Company passed the carbon footprint certification of 9 major products. In 2023, the Company began the ISO50001 energy management system certification simultaneously. The progress achieved this year: The carbon emissions in 2023 (including Scope 1 and 2) were reduced by 8.79% from 2022. The Company has not yet used carbon credits or renewable energy certificates.</p> |
| <p>9. GHG inventory and assurance status, as well as reduction goals, strategies and concrete action plans.</p>  | <p>Please refer to the following table.</p>  |

(2) The Company's GHG inventory and assurance for the most recent two years:

| Description  | Status of implementation  |           |           |
|--|---|-----------|-----------|
| <p>1. Describe the GHG emission volume (metric tons CO<sub>2</sub>e), intensity (metric tons CO<sub>2</sub>e/NTD million) and data coverage for the most recent two years.</p>   | <p>In 2022 and 2023, the Company conducted voluntary GHG inventories for the parent company's three plants (Puyan Plant, Fangyuan Plant, and Douliu Plant). The consolidated statistics are shown as follows:</p> |           |           |
|  | Year  | 2022      | 2023      |
|  | Scope 1 emissions (tons CO <sub>2</sub> e)  | 742.46    | 965.97    |
|  | Scope 2 emissions (tons CO <sub>2</sub> e)  | 42,601.28 | 38,566.85 |
|  | Total Scope 1 + 2 emissions (tons CO <sub>2</sub> e)  | 43,343.75 | 39,532.82 |
|  | Scope 1 carbon intensity (tons CO <sub>2</sub> e/NTD million)   | 0.30      | 0.49      |
|  | Scope 2 carbon intensity (tons CO <sub>2</sub> e/NTD million)   | 17.44     | 19.62     |
|  | Total GHG intensity (tons CO <sub>2</sub> e/NTD million)  | 17.75     | 20.11     |
| <p>2. Describe the status of assurance in the most recent two years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, criteria of assurance, and opinions of assurance.</p> | <p>According to the planning of the roadmap for the sustainable development of the listed companies, the Company is not yet required to conduct a GHG inventory.</p>  |           |           |

(3) GHG reduction goals, strategies and concrete action plans:

| Description   | Status of implementation   |  |  |
|---|--|--|--|
| <p>1. Describe the GHG base year and its data, reduction goals, strategies and specific action plans, and the achievement of reduction goals.</p> | <p>Using the three parent company's plants as the scope and 2021 as the base year, the Company reduced carbon emissions by 30% (including Scope 1 and Scope 2) as of 2030, and aims to reduce carbon emissions by 3.3% per year .</p> <p>In 2022, the Company conducted ISO14001 and ISO14064-1 organizational GHG inventory counseling through an external certifying organization. In the same year, the Company passed the carbon footprint certification of 9 major products. In 2023, the Company began the ISO50001 energy management system certification simultaneously.</p> <ol style="list-style-type: none"> <li>1. In 2022, the parent company completed the carbon emission inventory and self-declaration of all plants, and plans to conduct the carbon emission inventory in 2025 for the subsidiaries disclosed in the consolidated financial statements.</li> <li>2. External verification of GHG emissions on the Group's companies is being planned for 2026.</li> </ol> |  |  |

(IX) Status of the Company’s practice of ethical management and difference from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies:

| Issues to be Assessed   | Implementation Status |    | Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies |
|---|-----------------------|----|---|
|   | Yes                   | No |   |
| <p>1.Establish corporate conduct and ethics policy and implementation measures</p> <p>(1)Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?</p> | ✓                     |    | No significant differences.   |
| <p>(2)Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs</p>  | ✓                     |    |   |

| Issues to be Assessed  | Implementation Status |    |  | Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
| accordingly which at least cover the prevention measures against the conducts listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?  |                       |    | personnel are prohibited from providing or accepting inappropriate benefits. The Procedures also cover prevention measures against behaviors specified in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. There is a dedicated unit responsible for formulating a prevention system against such unethical behaviors and establishing grievance filing channels. | No significant differences.   |
| (3)Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?  | ✓                     |    | The “Procedures for Ethical Management and Guidelines for Conduct” and internal control and code of conduct measures all have disclosed relevant disciplinary and grievance channels. We have dedicated personnel who regularly review the compliance with these measures, and amend shortcomings in response to operational needs and regulatory revisions.   |   |
| 2.Implement ethical operations<br>(1)Does the company assess the ethics records of whom it has business relationships with and include business conduct and ethics related clauses in the business contracts?  | ✓                     |    | We have a credit line and credit check terms with our transaction partners, which are stipulated at the time of transactions. If the transaction counterparties are involved in unethical conduct, we may at any time terminate or rescind the contracts.  | No significant differences.   |
| (2)Has the Company established a specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision | ✓                     |    | The Office of the Secretary to the board is responsible for formulating ethical management policies, and works with the Legal Affairs Section for supervision and implementation. Reports are submitted to the board in Q3 every year (November 6, 2023 for this   |   |

| Issues to be Assessed   | Implementation Status |    | Summary description  | Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies |
|---|-----------------------|----|--|---|
|   | Yes                   | No |  |   |
| to the board?   |                       |    | annual report).  |   |
| (3)Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?   | ✓                     |    | We have established the “Procedures for Ethical Management and Guidelines for Conduct”, which contains specific and relevant handling procedures. A stakeholder section has been set up on the Company’s official website to serve as an appropriate grievance filing channel and is followed up by our dedicated personnel.<br>If a director or a legal person represented by a director is an interested party, the director shall state the conflict of interest at the board meeting, and recuse himself/herself from discussions or voting. The internal control system and other internal management measures should ensure that the above policies are being carried out. | No significant differences.   |
| (4)Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit? | ✓                     |    | In order to ensure the implementation of ethical management, we have established effective accounting and internal control systems, and their compliance is regularly checked by internal auditors, who ensure the effective and continued implementation of the systems. CPAs conduct audits of the internal control practices on a regular basis, and submit the audit reports to the Audit Committee and the board every quarter.   |   |
| (5)Does the Company provide internal and external ethical conduct training programs on a regular basis?   | ✓                     |    | We offered 102 hours for the ethical management education and training courses in 2023. We periodically (at least once a year) organize internal education   |   |



| Issues to be Assessed   | Implementation Status |    | Summary description  | Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies |
|---|-----------------------|----|--|---|
|   | Yes                   | No |  |   |
|   |                       |    | seminars promoting ethical management for board members and employees, so that the business philosophy and ethical code of conduct are disseminated to all managerial officers and employees.  |   |
| 3.Operations of the Company's grievance reporting system<br>(1)Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels and designate responsible individuals to handle the complaint received? | ✓                     |    | We have established a dedicated unit and independent reporting mailbox to handle related matters subject to the Procedures for Ethical Management and Guidelines for Conduct; Ethical Code of Conduct; Measures for Handling Employee Opinions and Complaints; and Rewards for Reporting.  | No significant differences.   |
| (2)Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?   | ✓                     |    | We have good communication channels to receive employees' opinions, and have established investigation procedures for grievances. Relevant information is properly retained after investigation, and those who file grievances are notified of follow-up development. For those who file grievances or participate in the investigation, we protect their confidentiality and prevent them from unfair treatment or retaliation. |   |
| (3)Does the Company adopt proper measures to shield a complainant from retaliation for filing complaints?   | ✓                     |    | We have protection measures for whistleblowers and stipulate investigation procedures for grievances. Complaints can be filed anonymously, so that parties are not mistreated due to whistleblowing actions.   |   |

| Issues to be Assessed  | Implementation Status |    |   | Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
| <p>4.Enhance information disclosure</p> <p>(1)Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the Market Observation Post System?</p>  | ✓                     |    | <p>The “Procedures for Ethical Management and Guidelines for Conduct” and the “Procedures for Handling Material Inside Information” are announced on the Company’s website. The annual reports also disclose relevant and reliable information on ethical management.</p> | No significant differences.   |
| <p>5. If the company has established ethical policies based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: We have established the “Procedures for Ethical Management and Guidelines for Conduct” for compliance, which operates the same as the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>   |                       |    |   |   |
| <p>6. Other important information to facilitate better understanding of the Company’s corporate conduct and ethics compliance practices (such as reviewing and amending the Company’s existing Ethical Corporate Management Best Practice Principles).</p> <p>(1) We comply with the Company Act, Securities and Exchange Act and regulations relevant to publicly listed or OTC companies or other laws or regulations regarding commercial activities, as the underlying basis to facilitate ethical corporate management.</p> <p>(2) Our Rules of Procedure of the Board Meeting shall stipulate a system for directors to recuse themselves from conflict of interest. If any director or a juristic person represented by a director is an interested party with respect to any motion, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may state his/her opinions and answer questions and may not participate in the discussion or voting on that motion, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter.</p> <p>(3) The board approved the “Rewards for Reporting” at a meeting held on March 25, 2019 to establish measures for whistleblowing, which emphasizes ethical management as the cornerstone for sustainability.</p> <p>(4) The board approved amendment to provisions of the “Procedures for Ethical Operations Management and Guidelines for Conduct” at a meeting held on March 27, 2020 in response to the regulatory requirements.</p> |                       |    |   |   |

(X) If the Company prescribed the rule of corporate governance and relevant regulations, the Company should disclose its search method:

We have established ① Rules of Procedure for Shareholders Meetings; ② Rules of Procedure for Board of Directors Meetings; ③ Procedures for Ethical Operations Management and Guidelines for Conduct; ④ Ethics and Code of Conduct; ⑤ Rewards for Reporting; ⑥ Corporate Governance Best Practice Principles; ⑦ Sustainable Management Best Practice Principles; and ⑧ Procedures for Handling Material Inside Information Codes of Ethical Conduct for compliance, and they are disclosed on the Market Observation Post System and the Company's website for review.

(XI) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: None.

(XII) Implementation status of internal control system: Please refer to p. 217 for the Statement on Internal Control.

(XIII) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system, and the penalties which may have a significant impact on shareholders' equity or the price of securities, and list the content of penalties, principal deficiencies, and the state of any efforts to make improvements: None.

(XIV) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Key resolutions from the 2023 annual general meeting and their implementation: (2023.06.16)

| Key Resolutions   |
|---|
| 1. Approved the 2022 business report and final accounts.<br>Implementation status: Detailed in the meeting minutes.   |
| 2. Approved the 2022 Loss Appropriation.<br>Implementation: For 2022, "Not distributing employee and director remuneration; also not issuing dividends..  |
| 3. Resolution approved amendments to provisions of the Endorsement and Guarantee Handling Procedure.<br>Implementation status: Has been announced on the Company's website, and carried out in accordance with the amended procedures.  |
| 4. Additional-election of independent directors:<br>List of independent directors elected: Mr. Cheng-Pei Kuo<br>Implementation status: The registration of by-election was approved by the Ministry of Economic Affairs on July 03, 2023, and the list of directors was updated on the Company's website. |
| 5. Resolution approved to lift the non-compete restrictions on directors and their representatives.<br>Implementation: Detailed in the minutes and announced on the company's website.  |

2. (1) Key resolutions of Acelon board meeting during 2023 and up to the date of publication of the annual report:

| Date   | Summary of key Resolutions   |  |
|--|--|--|
| 2023.01.11<br>The 8th session of the 12th term                     | 1、Resolved to approve amendment to the “Measures for Calculation and Distribution of Remuneration for Directors and Supervisors”.<br>2、Approved 2023 salary and remuneration for directors.<br>3、Approved amendment to the Company’s year-end bonus payment method.<br>4、Approved the Company’s itemized payment of salary and remuneration to managerial officers in 2023 and the distribution of year-end bonuses in 2022.<br>5、Approved the assessment of the independence of the Company’s CPAs.<br>6、Resolved to approve the 2023 CPA auditing fees.<br>7、Resolved to approve amendment to the “Salary and Remuneration Committee Organizational Charter”.<br>8、Resolved to approve amendment to the “Board Meeting Rules of Procedures”.<br>9、Approved the cancellation of endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd..<br>10、Approved the investment in constructing energy storage system and equipment in the factory in Douliu. |  |
|  | Independent directors’ opinions: None.   | Company’s subsequent actions: Carried out in accordance with the board resolution. |
| 2023.03.21<br>The 9th session of the 12th term                     | 1. Approved the Company’s 2022 financial statements.<br>2. Approved the Company’s efforts to make up for the losses of 2022.<br>After the 2022 year-end closing, the Company has to make up for the loss of NT\$53,176 thousand; therefore, no bonuses will be distributed to employees and directors, and no dividends will be issued.<br>3. Approved the convening date of the 2023 shareholders general meeting and the topics to be discussed in the meeting.<br>4. Approved the election of additional independent directors.<br>5. Approved the 2022 Statement on Internal Control.<br>6. Approved the Retirement and re-employment of managerial officers and employees.  |  |
|  | Independent directors’ opinions: None.   | Company’s subsequent actions: Carried out in accordance with the board resolution. |
| 2023.04.19<br>The 2 <sup>nd</sup> interim meeting of the 12th term | 1. Approved the partial cancellation of endorsements and guarantees to the subsidiary Acegreen.<br>2. Approved the amendments to the "Procedures for endorsements and guarantees."<br>3. Approved the appointment of the company's manager.  |  |
| 2023.05.05<br>The 10th session of the 12th term                    | 1. Approved the Q1 2023 consolidated financial statements.<br>2. Approved the addition of reasons for convening the 2023 shareholders general meeting.   |  |
|  | Independent directors’ opinions: None.   | Company’s subsequent actions: Carried out in accordance with the board resolution. |
| 2023.06.16<br>The 3 <sup>rd</sup> interim                          | 1. Approved the Reduction of salary for managers of the Company.   |  |

|   |  |  |
|---|--|--|
| meeting of the 12th term                                    | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2023.08.09<br>The 11 <sup>th</sup> meeting of the 12th term | 1. Approved the ratification of the Q2 2022 consolidated financial statements.<br>2. Approved to establish the "Risk Management Policy and Procedures" of the Company.   |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2024.01.26<br>The 12 <sup>th</sup> meeting of the 12th term | 1. 2023 salary and remuneration for directors.<br>2. Approved the Company's itemized payment of salary and remuneration to managerial officers in 2024 and the distribution of year-end bonuses in 2023.<br>3. Approved the change of CPAs to fulfill the rotation requirements.<br>4. Approved the assessment of the independence of the Company's CPAs.<br>5. Approved the 2024 CPA auditing fees.<br>6. Approved appoint the Company's new head of internal audit and head of accounting.<br>7. Approved reinvestment in Ace-Profit company.                            |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2024.03.15<br>The 14 <sup>th</sup> meeting of the 12th term | 1. Approved the Company's 2023 financial statements.<br>2. Approved the Company's efforts to make up for the losses of 2023. After the 2023 year-end closing, the Company has to make up for the loss of NT\$151,349 thousand; therefore, no bonuses will be distributed to employees and directors, and no dividends will be issued.<br>3. Approved the convening date of the 2024 shareholders general meeting and the topics to be discussed in the meeting.<br>4. Approved the election of 13th term directors.<br>5. Approved the 2023 Statement on Internal Control. |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |
| 2024.05.10<br>The 15 <sup>th</sup> meeting of the 12th term | 1. Approved the Q1 2024 consolidated financial statements.<br>2. Approved endorsements and guarantees to the subsidiary Acegreen Eco-Material Technology Co., Ltd.<br>3. Approved the amendment of the Board Meeting Regulations of the Company.<br>4. Approved the amendment of the Organizational Regulations of the Audit Committee of the Company.   |  |
|   | Independent directors' opinions: None.   | Company's subsequent actions: Carried out in accordance with the board resolution. |

(XV) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a key resolution passed by the board, and the dissenting opinion has been recorded or prepared as a written declaration: None.

(XVI) A summary of resignations and terminations, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, principal corporate governance officer and principal research and development officer:

**Summary Table of Resignations and Dismissals of Company Personnel**

Date: April, 23, 2024

| <b>Position</b>       | <b>Name</b>    | <b>Start Date</b> | <b>End Date</b> | <b>Reason for Resignation or Dismissal</b> |
|-----------------------|----------------|-------------------|-----------------|--|
| Audit Supervisor      | Lian-Fu,Zhang  | Sep.1st, 1998     | Feb, 14th, 2024 | Mandatory retirement                       |
| Accounting Supervisor | Mu-lan, Xiao   | Jan, 10th, 2020   | Feb, 14th, 2024 | Transfer to Audit Supervisor               |
| Audit Supervisor      | Mu-lan, Xiao   | Feb, 15th, 2024   | —               | New appointment                            |
| Accounting Supervisor | Feng-Xiu,Zhang | Feb, 15th, 2024   | —               | New appointment                            |

Note: The term "company personnel" refers to positions such as chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor, corporate governance supervisor, and research and development supervisor.

#### IV. Audit fee of independent auditors

##### (I) Audit fee:

1. When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

| Name of Accounting Firm | Name of Accountant | Audit Period              | Audit Service (NT\$ thousand) | Non-Audit Service (NT\$ thousand) | Total (NT\$ thousand) | Remark |
|-------------------------|--------------------|---------------------------|-------------------------------|-----------------------------------|-----------------------|--------|
| EnWise CPAs & Co.       | Ching-Yi Chen      | 2023.01.01~<br>2023.12.31 | 1,430                         | 490                               | 1,920                 | -      |
|                         | Yong-Ren Tsao      |                           |                               |                                   |                       |        |
| EnWise CPAs & Co.       | Ching-Yi Chen      | 2022.01.01~<br>2022.12.31 | 1,445                         | 591                               | 2,036                 | -      |
|                         | Yong-Ren Tsao      |                           |                               |                                   |                       |        |

##### 3. Non-audit fees for CPAs:

Include:

For fiscal year 2023, NT\$490 thousand is a Certified fee in Taxation Cases.

For fiscal year 2022, NT\$545 thousand is a Certified fee in Taxation Cases, and NT\$46 thousand is for Financial Statement Analysis Course.

##### (II) Whether the Company has changed its CPAs during the last two years:

##### 1. About former CPAs:

|   |   |                   |                                    |
|---|---|-------------------|------------------------------------|
| Date of change  | January 26, 2024  |                   |                                    |
| Reasons and descriptions for change   | Internal job rotation and arrangement within EnWise CPAs & Co., so CPA Yong-Ren Tsao was replaced with CPA Nien-Chieh Liao in 2024. |                   |                                    |
| Indicate the appointed person or that the CPA terminates or declines appointment.                                       | Counterparty  | Accountant        | Appointed person                   |
|   | Status  |                   |                                    |
|   | Appointment terminated automatically  | Internal rotation | Not applicable                     |
|   | Appointment rejected (discontinued)   | Not applicable    | Not applicable                     |
| Opinions on audit reports other than unqualified opinions issued in the last two years and the reasons for the opinions | None  |                   |                                    |
| Is there any disagreement in  | Yes   | Not applicable    | Accounting principles or practices |

|                          |             |      |                                    |
|--------------------------|-------------|------|------------------------------------|
| opinion with the issuer? |             |      | Disclosure of financial statements |
|                          |             |      | Auditing scope or procedures       |
|                          |             |      | Others                             |
|                          | None        | √    |                                    |
|                          | Explanation | None |                                    |
| Supplementary disclosure | None        |      |                                    |

2. About successor CPAs:

|  |                   |
|--|-------------------|
| Name of accounting firm  | EnWise CPAs & Co. |
| Name of Accountant   | Nien-Chieh Liao   |
| Date of assignment   | January 26, 2024  |
| Prior to formal engagement, any Inquiries or consultation on the accounting method or accounting principles for specific transactions, and the type of audit opinion that may be rendered in the financial report? | None              |
| Written Opinions from the Successor CPAs that are Different from the Predecessor CPA's Opions  | None              |

(III) The Reply of Former CPAs on Article 10, Subparagraph 6, Item 1 and Article 10, Subparagraph 6, Item 2-3 of the Standards: No disagreement.

V. If the chairman, president and managerial officers in charge of the Company's finance and accounting operations held any positions within the Company's independent audit firm or its affiliates during the past one year: None.



## VI. Changes in shareholding of directors, supervisors, managerial officers and principal shareholders

### (I) Changes in shareholding of directors, supervisors, managerial officers and principal shareholders

| Title                | Name  | 2023   |   | As of April 23, 2024                             |   |
|----------------------|---|--|---|--|---|
|                      |   | Increase (decrease) in the number of shares held | Increase (decrease) in the number of pledged shares | Increase (decrease) in the number of shares held | Increase (decrease) in the number of pledged shares |
| Chairman             | Honghou Investment                            | 1,212,000  | —   | —  | —   |
|                      | Representative of legal person: Wen-Tung Chou | —  | —   | —  | —   |
| Director             | Ming-Yi Lai                                   | —  | —   | —  | —   |
| Director             | Dihao Trading                                 | —  | —   | —  | —   |
|                      | Legal person representative: Yi-Sheng Lin     | —  | —   | —  | —   |
| Director             | Chin Ying Fa Mechanical Industrial            | —  | —   | —  | —   |
|                      | Legal person representative: Yu-Long Shih     | —  | —   | —  | —   |
| Director             | Ya-Hui Shih                                   | —  | —   | —  | —   |
| Director             | Wen-Po Yang                                   | —  | —   | —  | —   |
| Director             | Ping-Yi Chou                                  | —  | —   | —  | —   |
| Independent director | Shui-Chin Chen                                | —  | —   | —  | —   |
| Independent director | Wan-Chung Chen                                | —  | —   | —  | —   |
| Independent director | Ji-Fu Lin                                     | —  | —   | —  | —   |
| Managerial officers  | Tse-Chung Lin                                 | —  | —   | —  | —   |
| Managerial officers  | Wen-Chi Chou                                  | —  | —   | —  | —   |
| Managerial officers  | Mei-Hung Chang                                | —  | —   | —  | —   |
| Managerial officers  | Lien-Fu Chang                                 | —  | —   | —  | —   |
| Managerial officers  | Mu-Lan Hsiao                                  | —  | —   | —  | —   |

(II) Information on transfer of equity: None.

(III) Information on stock pledge: None.

VII. Information on top ten shareholders and their mutual relationship:

| Name  | Current Shareholding |           | Shareholding of Spouse and Minor Children |           | Shares Held in the Name of Others |           | Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree |                                  | Remark |
|---|----------------------|-----------|---|-----------|-----------------------------------|-----------|--|----------------------------------|--------|
|   | Number of Shares     | Ownership | Number of Shares                          | Ownership | Number of Shares                  | Ownership | Title (or name)  | Relationship with the Company    |        |
| Honghou Investment Representative: Pi-Yu Chen                   | 7,431,983            | 6.69%     | --  | --        | --                                | --        | --   | --                               |        |
| Shao-Hua Chou   | 6,589,858            | 5.93%     | 408,000                                   | 0.37%     | --                                | --        | Ping-Yi Chou<br>Meng-Yi Chou   | Sister-Brother<br>Sister-Brother |        |
| Ming-Yi Lai   | 6,046,913            | 5.44%     | 1,079,000                                 | 0.96%     | --                                | --        | --   | --                               |        |
| Sheng-Kai Investment Representative: Pi-Yu Chen                 | 5,035,215            | 4.53%     | --  | --        | --                                | --        | --   | --                               |        |
| Shang-Cheng Investment Representative: Yi-Pang Lin              | 4,958,000            | 4.46%     | --  | --        | --                                | --        | --   | --                               |        |
| Dihao Trading Representative: Yi-Pang Lin                       | 2,929,082            | 2.64%     | --  | --        | --                                | --        | --   | --                               |        |
| Yung-Che Shih   | 2,712,607            | 2.44%     | --  | --        | --                                | --        | --   | --                               |        |
| Chin Ying Fa Mechanical Industrial Representative: Yu-Long Shih | 2,669,077            | 2.40%     | --  | --        | --                                | --        | --   | --                               |        |
| Meng-Yi Chou  | 2,654,154            | 2.39%     | --  | --        | --                                | --        | Ping-Yi Chou<br>Shao-Hua Chou  | Sisters<br>Sister-Brother        |        |
| Ping-Yi Chou  | 2,634,219            | 2.37%     | 195,000                                   | 0.18%     | --                                | --        | Meng-Yi Chou<br>Shao-Hua Chou  | Sisters<br>Sister-Brother        |        |

Note: Information as of April,23, 2024.

VIII. The number of shares held by the Company, directors, supervisors, managers, and entities directly or indirectly controlled by the Company in the reinvestment business as well as the consolidated shareholding ratio:

Unit: Share; %

| Investee                                   | Ownership by the Company |           | Ownership by Directors, Managers Officers and Directly/Indirectly Owned Subsidiaries |           | Total Ownership  |                             |
|--|--------------------------|-----------|--|-----------|------------------|-----------------------------|
|  | Number of Shares         | Ownership | Number of Shares   | Ownership | Number of Shares | Percentage of ownership (%) |
| Acegreen Eco-Material Technology Co., Ltd. | 52,000,000               | 100%      | --   | --        | 52,000,000       | 100%                        |
| Acenature Biotechnology Co., Ltd.          | 3,000,000                | 100%      | --   | --        | 3,000,000        | 100%                        |
| Aceprofit Fiber Co., Ltd.                  | 2,000,000                | 100%      | --   | --        | 2,000,000        | 100%                        |

Note: Information as of April,23, 2024.

## Four. Financing Activities

### I. Capital and shares:

#### (I) Source of capital

##### 1. Type of shares:

| Type of shares          | Authorized Share Capital  |                  |             | Remark |
|-------------------------|---------------------------|------------------|-------------|--------|
|                         | Shares outstanding (Note) | Un-issued Shares | Total       |        |
| Registered common stock | 111,157,320               | 188,842,680      | 300,000,000 | --     |

Note: The Company's shares are all publicly traded.

##### 2. History of capital formation:

Unit: Shares/NTD

| Year / Month | Issue Price | Authorized Share Capital |             | Paid-in Capital  |             | Remarks  |  |        |
|--------------|-------------|--------------------------|-------------|------------------|-------------|--|--|--------|
|              |             | Number of Shares         | Amount      | Number of Shares | Amount      | Source of capital  | Capital Increase by Assets Other than Cash         | Others |
| 1988/07      | 10          | 1,500,000                | 15,000,000  | 1,500,000        | 15,000,000  | Cash capital increase of NT\$15,000,000  | None   | None   |
| 1989/03      | 10          | 5,000,000                | 50,000,000  | 5,000,000        | 50,000,000  | Cash capital increase of NT\$25,000,000  | Creditor's rights as payment for shares 10,000,000 | None   |
| 1989/09      | 10          | 6,000,000                | 60,000,000  | 6,000,000        | 60,000,000  | Cash capital increase of NT\$10,000,000  | None   | None   |
| 2000/04      | 10          | 12,000,000               | 120,000,000 | 12,000,000       | 120,000,000 | Cash capital increase of NT\$38,000,000  | Creditor's rights as payment for shares 22,000,000 | None   |
| 1991/04      | 10          | 19,500,000               | 195,000,000 | 19,500,000       | 195,000,000 | Cash capital increase of NT\$75,000,000  | None   | None   |
| 1992/11      | 10          | 35,300,000               | 353,000,000 | 35,300,000       | 353,000,000 | Cash capital increase of NT\$80,000,000<br>Capitalization of profit of NT\$78,000,000  | None   | None   |
| 1994/04      | 10          | 58,772,000               | 587,720,000 | 58,772,000       | 587,720,000 | Cash capital increase of NT\$150,000,000<br>Capitalization of profit of NT\$70,600,000<br>Capitalization of capital reserve NT\$14,120,000 | None   | None   |

|         |    |             |               |             |               |  |      |      |
|---------|----|-------------|---------------|-------------|---------------|--|------|------|
| 1994/07 | 10 | 100,000,000 | 1,000,000,000 | 80,000,000  | 800,000,000   | Cash capital increase of NT\$212,280,000   | None | None |
| 1995/07 | 10 | 150,000,000 | 1,500,000,000 | 114,400,000 | 1,144,000,000 | Cash capital increase of NT\$200,000,000<br>Capitalization of profit of NT\$64,000,000<br>Capitalization of capital reserve NT\$80,000,000 | None | None |
| 1996/06 | 10 | 150,000,000 | 1,500,000,000 | 137,280,000 | 1,372,800,000 | Capitalization of profit of NT\$114,400,000<br>Capitalization of capital reserve NT\$114,400,000   | None | None |
| 1997/07 | 10 | 157,872,000 | 1,578,720,000 | 157,872,000 | 1,578,720,000 | Capitalization of profit of NT\$123,552,000<br>Capitalization of capital reserve NT\$82,368,000  | None | None |
| 1998/09 | 10 | 380,000,000 | 3,800,000,000 | 265,877,120 | 2,658,771,200 | Cash capital increase of NT\$800,000,000<br>Capitalization of profit of NT\$280,051,200  | None | None |
| 2001/04 | 10 | 200,000,000 | 2,000,000,000 | 168,738,672 | 1,687,386,720 | Capital reduction of NT\$971,384,480   | None | None |
| 2002/02 | 10 | 200,000,000 | 2,000,000,000 | 115,030,328 | 1,150,303,280 | Capital reduction of NT\$537,083,440   | None | None |
| 2002/12 | 10 | 200,000,000 | 2,000,000,000 | 71,597,796  | 715,977,960   | Capital reduction of NT\$434,325,320   | None | None |
| 2010/12 | 10 | 200,000,000 | 2,000,000,000 | 91,597,796  | 915,977,960   | Cash capital increase of NT\$200,000,000   | None | None |
| 2011/08 | 10 | 200,000,000 | 2,000,000,000 | 95,261,707  | 952,617,070   | Capitalization of profit of NT\$36,639,110   | None | None |
| 2013/11 | 10 | 200,000,000 | 2,000,000,000 | 99,787,490  | 997,874,900   | Convertible bonds converted to common stocks worth NT\$45,257,830  | None | None |
| 2014/08 | 10 | 200,000,000 | 2,000,000,000 | 105,351,197 | 1,053,511,970 | Convertible bonds converted to common stocks worth NT\$55,637,070  | None | None |
| 2014/10 | 10 | 200,000,000 | 2,000,000,000 | 106,151,935 | 1,061,519,350 | Convertible bonds converted to   | None | None |

|         |    |             |               |             |               |   |      |      |
|---------|----|-------------|---------------|-------------|---------------|---|------|------|
|         |    |             |               |             |               | common stocks worth NT\$8,007,380                             |      |      |
| 2014/11 | 10 | 200,000,000 | 2,000,000,000 | 111,151,935 | 1,111,519,350 | Cash capital increase of NT\$50,000,000                       | None | None |
| 2015/04 | 10 | 200,000,000 | 2,000,000,000 | 111,157,320 | 1,111,573,200 | Convertible bonds converted to common stocks worth NT\$53,850 | None | None |
| 2019/02 | 10 | 300,000,000 | 3,000,000,000 | 111,157,320 | 1,111,573,200 | Authorized share capital increased by 1,000,000,000           | None | None |

Note: Capital increase approval date 1992.11.30; approval document number: Jing (81) Shang #124685  
Capital increase approval date 1994.04.13; approval document number: Jing (83) Shang #106064  
Capital increase approval date 1994.07.30; approval document number: Jing (83) Shang #111700  
Capital increase approval date 1995.07.03; approval document number: Jing (84) Shang #103347  
Capital increase approval date 1996.06.21; approval document number: Jing (85) Shang #109233  
Capital increase approval date 1997.07.29; approval document number: Jing (86) Shang #112116  
Capital increase approval date 1998.09.03; approval document number: Jing (87) Shang #126602  
Capital increase approval date 2001.04.04; approval document number: Jing (090) Shang #09001113830  
Capital increase approval date 2002.02.01; approval document number: Jing-Shou-Shang-Zi Document #09101043880  
Capital increase approval date 2002.12.25; approval document number: Jing-Shou-Shang-Zi Document #09101516920  
Capital increase approval date 2010.12.08; approval document number: Jing-Shou-Shang-Zi Document #09901273140  
Capital increase approval date 2011.08.03; approval document number: Jing-Shou-Shang-Zi Document #10001179110  
Capital increase approval date 2013.11.29; approval document number: Jing-Shou-Shang-Zi Document #10201242210  
Capital increase approval date 2014.08.29; approval document number: Jing-Shou-Shang-Zi Document #10301178720  
Capital increase approval date 2014.10.20; approval document number: Jing-Shou-Shang-Zi Document #10301218330  
Capital increase approval date 2014.11.13; approval document number: Jing-Shou-Shang-Zi Document #10301235930  
Capital increase approval date 2015.04.29; approval document number: Jing-Shou-Shang-Zi Document #10401077080  
Capital increase approval date 2019.02.14; approval document number: Jing-Shou-Shang-Zi Document #10801000340

3. Information on the shelf registration: None.

## (II) Shareholder structure:

Face value: NT\$10/share

Date: April 23, 2024

| Composition of Shareholders<br>Quantity | Government Agencies | Financial Institutions | Other Legal Persons | Domestic Natural Persons | Foreign Institutions and Natural Persons | Total       |
|---|---------------------|------------------------|---------------------|--------------------------|--|-------------|
| Number of People                        | 1                   | 0                      | 168                 | 24,902                   | 27                                       | 25,098      |
| No. of Shares Held                      | 2,401               | 0                      | 29,073,069          | 81,379,451               | 702,399                                  | 111,157,320 |
| Percentage of ownership (%)             | 0.00%               | 0%                     | 26.15%              | 73.22%                   | 0.63%                                    | 100%        |

## (III) Composition of Shareholders:

Face value: NT\$10/share

Date: April 23, 2024

| Shareholder Ownership | Number of Shareholders | No. of Shares Held | Ownership |
|-----------------------|------------------------|--------------------|-----------|
| 1 to 999              | 19,543                 | 910,028            | 0.82%     |
| 1,000 to 5,000        | 4,127                  | 8,764,071          | 7.88%     |
| 5,001 to 10,000       | 741                    | 6,046,428          | 5.44%     |
| 10,001 to 15,000      | 192                    | 2,411,868          | 2.17%     |
| 15,001 to 20,000      | 138                    | 2,593,407          | 2.33%     |
| 20,001 to 30,000      | 113                    | 2,903,996          | 2.61%     |
| 30,001 to 40,000      | 52                     | 1,864,906          | 1.68%     |
| 40,001 to 50,000      | 43                     | 1,983,595          | 1.78%     |
| 50,001 to 100,000     | 67                     | 4,886,103          | 4.40%     |
| 100,001 to 200,000    | 32                     | 4,765,748          | 4.29%     |
| 200,001 to 400,000    | 22                     | 6,075,726          | 5.47%     |
| 400,001 to 600,000    | 2                      | 1,101,411          | 0.99%     |
| 600,001 to 800,000    | 4                      | 2,594,686          | 2.33%     |
| 800,001 to 1,000,000  | —                      | —                  | —         |
| 1,000,001 or above    | 22                     | 64,255,347         | 57.81%    |
| Total                 | 25,098                 | 111,157,320        | 100%      |

## (IV) Name of shareholders who are ranked top ten of all shareholders:

Date: April 23, 2024

| Order | Name of shareholders  | Number of shares | Percentage of ownership (%) |
|-------|---|------------------|-----------------------------|
| 1     | Honghou Investment<br>Representative: Pi-Yu Chen                    | 7, 431, 983      | 6. 69                       |
| 1     | Shao-Hua Chou   | 6, 589, 858      | 5. 93                       |
| 3     | Ming-Yi Lai   | 6, 046, 913      | 5. 44                       |
| 4     | Sheng-Kai Investment<br>Representative: Pi-Yu Chen                  | 5, 035, 215      | 4. 53                       |
| 5     | Shang-Cheng Investment<br>Representative: Yi-Pang Lin               | 4, 958, 000      | 4. 46                       |
| 6     | Dihao Trading<br>Representative: Yi-Pang Lin                        | 2, 929, 082      | 2. 64                       |
| 7     | Yung-Che Shih   | 2, 712, 607      | 2. 44                       |
| 8     | Chin Ying Fa Mechanical Industrial<br>Representative: Song-Lin Shih | 2, 669, 077      | 2. 4                        |
| 9     | Meng-Yi Chou  | 2, 654, 154      | 2. 39                       |
| 10    | Ping-Yi Chou  | 2, 634, 219      | 2. 37                       |

## (V) Market price, net worth, earnings and dividends per share and the related information for the most recent two years:

| Description                      |                         | Year | 2022               | 2023               | As of March 31,<br>2024 |
|----------------------------------|-------------------------|------|--------------------|--------------------|-------------------------|
|                                  |                         |      |                    |                    |                         |
| Market Price Per Share           | Highest                 |      | NT\$15.60          | NT\$15.80          | NT\$14.95               |
|                                  | Lowest                  |      | NT\$10.10          | NT\$10.60          | NT\$13.10               |
|                                  | Average                 |      | NT\$13.00          | NT\$11.56          | NT\$13.61               |
| Net Worth Per Share              | Before distribution     |      | NT\$14.36          | NT\$12.99          | NT\$12.83               |
|                                  | After distribution      |      | NT\$14.36          | NT\$12.99          | NT\$12.83               |
| Earnings per share               | Weighted Average Shares |      | 111,157,320 shares | 111,157,320 shares | 111,157,320 shares      |
|                                  | Earnings per share      |      | NT\$(0.60)         | NT\$(1.36)         | NT\$(0.17)              |
| Dividends Per Share              | Cash dividends          |      | -                  | -                  | -                       |
|                                  | Bonus Share             | -    | -                  | -                  | -                       |
|                                  |                         | -    | -                  | -                  | -                       |
|                                  | Dividends in Arrears    |      | -                  | -                  | -                       |
| Analysis of Return on Investment | Price/Earnings Ratio    |      | -                  | -                  | -                       |
|                                  | Price/Dividends Ratio   |      | -                  | -                  | -                       |
|                                  | Cash Dividends Yield    |      | -                  | -                  | -                       |

Note 1: List the highest and lowest market price per share of common stock in each fiscal year. Calculate each fiscal year's average market price based upon each fiscal year's actual trading prices and volume.

Note 2: Please refer to the number of issued shares at the end of the year and fill in according to the resolution of the board or the shareholder meeting of the next year.

Note 3: If retrospective adjustment is needed due to bonus shares, the earnings per share before and after the adjustment should be listed.

Note 4: If the provisions for the issuance of equity securities stipulate that the unpaid dividends of the current year may be accumulated to be distributed in the year when there is a surplus, the dividends that have been accumulated and unpaid for the year should be separately disclosed.

Note 5: Price-Earnings ratio = Average closing price per share / Earnings per share of the year.

Note 6: Price-Dividends ratio = Average closing price per share / Cash dividends per share of the year.

Note 7: Cash dividends yield = Cash dividend per share / Average closing price per share of the year.



Note 8: Data audited (reviewed) by the accountant for the most recent quarter as of the publication date of the annual report should be filled in the net worth and earnings per share. The remaining fields should be filled with data of the year as of the publication date of the annual report.

(VI) Company's dividends policy and the implementation status:

1. Dividend policy as stipulated in the Articles of Incorporation (Article 20-1)

In order to meet the needs of sustainable operations, capital expansion and healthy development, and in consideration of maximizing shareholder value, the Company's dividend policy shall appropriately distribute stock dividends and cash dividends in accordance with the Company's future capital expenditure budget and capital needs. The cash dividends shall not be less than 10% of the total dividend distributed for the year. The board is authorized to determine the actual distribution percentage based on the financial position and capital budgeting.

2. Proposal to distribute cash dividend at the shareholders' meeting:

Regarding the 2023 estimated dividends to be distributed, the board meeting held on March 15, 2024 resolved to approve the making up for the 2023 losses, and no stock dividends and cash dividends will be distributed.

(VII) The impact of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share: None.

(VIII) Remuneration for employees, directors and supervisors:

1. The range with respect to employees, director, and supervisor remuneration specified in the Articles of Incorporation: (Article 19-1)

If the Company is profitable in the fiscal year, 3% to 5% of the profit shall be offered as bonuses for employees, and no more than 4% of the profit shall be allocated as remuneration for directors and supervisors. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses, before using the remaining profit for distribution of remuneration.

Employee bonus may be paid in stock or cash, and director bonus can only be paid in cash. The employees to whom the Company distributes remuneration, issues restricted stock award, share subscription warrants, subscription of new shares and transfers repurchased shares should be those who meet the criteria of being in the Company or affiliated companies of which the Company has more than 50% of the ownership. Matters related to the payment of employee remuneration and directors' remuneration are handled in accordance with relevant laws and regulations, determined by the board, and reported to the shareholder meetings.

The procedures for determining remuneration are based on the "Operating Performance Evaluation Measures", which evaluate the Company's overall operating performance and each director's personal achievement rate and contribution to the Company's performance before reasonable remuneration is paid. The relevant appraisal and rationality of remuneration are reviewed by the Salary and Remuneration Committee and the board. The remuneration payment measures are reviewed to align with the actual status of operations and relevant laws and regulations to achieve a balance between sustainability and risk control.

2. The basis for estimating the amount of employee, director, and supervisor remuneration, for calculating the number of shares to be distributed as employee bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Subject to the changes in accounting estimates, and recognized as expenses in the adjustments for the next year.

3. Information on profit sharing from earnings for employees, directors and supervisors approved by the board (2024.03.15):

- (1) The amount of the remuneration for employees in the form of cash or stock bonuses and that of the remuneration for directors in 2023:

The Company has 2023 losses to be made up, so it does not distribute employee and director remuneration.

- (2) If the amount recognized in the fiscal year is different from the estimate, please disclose the difference, reasons and treatment: Not applicable.
  - (3) The amount of any employee bonus distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent-only financial reports or individual financial reports for the current period and total employee bonus: No employee bonus distributed in stocks.
4. The actual distribution of employee, director, and supervisor remuneration for 2022 (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, additionally the discrepancy, cause, and how it is treated:
- (1) The distribution of 2022 remuneration for employees, directors and supervisors is as follows:  
Employee profit sharing: NT\$ 0  
Director and supervisor profit sharing: NT\$ 0
  - (2) If the above amount is different from the recognized remuneration of employees, directors and supervisors, the difference, reason and the subsequent handling of the amount should be stated: Not applicable.

(IX) Stock buybacks of the Company: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred stocks: None.

IV. Issuance of overseas depository receipts: None.

V. Status of employee stock option plan: None.

VI. New share issuance in connection with mergers and acquisitions: None.

VII. Financing plans and implementation: None.

## Five. Overview of Operations

### I. Content of business

#### 1. Scope of business

##### 1. Core business:

- |   |   |
|---|---|
| (01) C301010 Yarn Spinning Mills  | (02) C302010 Weaving of Textiles                      |
| (03) C303010 Manufacture of non-woven fabrics   | (04) C399990 Other Textile and Products Manufacturing |
| (05) CI01010 Rope, Cable and Net Manufacturing  | (06) C601010 Manufacture of Pulp                      |
| (07) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories   |   |
| (08) F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures  |   |
| (09) F113010 Wholesale of machinery   | (10) F113020 Wholesale of Electrical Appliances       |
| (11) F113030 Wholesale of precision instruments   |   |
| (12) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories   |   |
| (13) F205040 Retail of furniture, bedding, kitchen utensils and installation products   |   |
| (14) F213010 Retail Sale of Electrical Appliances   | (15) F213040 Retail sales of precision instruments    |
| (16) F213080 Retail Sale of Machinery and Tools   | (17) C306010 Wearing apparel                          |
| (18) C307010 Clothing Accessories   | (19) C801120 Manufacture of Man-made Fibers           |
| (20) C802090 Manufacture of Cleaning Preparations   | (21) C802100 Cosmetics Manufacturing                  |
| (22) C802110 Cosmetic Pigment Manufacturing   | (23) CH01010 Sporting goods manufacturing             |
| (24) CI01020 Rug and Felt Manufacturing   | (25) CJ01010 Hat Manufacturing                        |
| (26) CK01010 Footwear Manufacturing   | (27) CL01010 Umbrella Manufacturing                   |
| (28) CN01010 Furniture and Decorations Manufacturing  | (29) F106010 Wholesale of Hardware                    |
| (30) F106020 Wholesale of Daily Commodities   | (31) F106060 Wholesale of Pet Food and Supplies       |
| (32) F107030 Wholesale of Cleaning Supplies   | (33) F108040 Wholesale of Cosmetics                   |
| (34) F109070 Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies                              | (35) F120010 Wholesale of Refractory Materials        |
| (36) F206020 Retail Sale of daily commodities   | (37) F206050 Retail Sale of Pet Food and Supplies     |
| (38) F207030 Retail Sales of Cleaning Supplies  | (39) F208040 Retail Sale of Cosmetics                 |
| (40) F212050 Retail Sale of Petroleum Products  | (41) F217010 Retail Sale of Fire Safety Equipment     |
| (42) F220010 Retail Sale of Refractory Materials  | (43) F301010 Department stores                        |
| (44) F399990 Retail sale of Other Integrated  | (45) F401010 International Trade                      |
| (46) I101110 Textile Consulting   | (47) I401010 General advertisement service            |
| (48) I501010 Product Designing  | (49) I502010 Clothing Designing                       |
| (50) C305010 Printing, Dyeing, and Finishing  |   |
| (51) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval. |   |
| (52) D101060 Self-usage power generation equipment utilizing renewable energy industry  |   |

## 2. Percentage of operation

2023 percentage of operation:

Nylon yarn 23.43%, polyester yarn 0.07%, nylon textured yarn 43.56%, polyester textured yarn 6.69%, Lyocell yarn 14.41%, medical materials 2.51%, others 9.33%.

## 3. Current products:

Nylon yarn, polyester yarn, nylon textured yarn, polyester textured yarn, polypropylene textured yarn, ultra-fine fiber composite yarn

Dope-dyed yarn, antistatic yarn, cellulose fiber, end products, medical equipment.

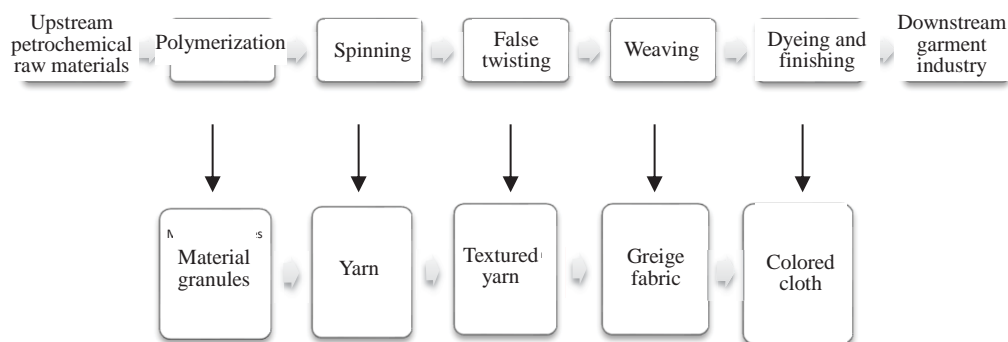
## 4. New products planned to be developed: Composite textured yarn, N/P solution-dyed yarn, eco-friendly textured yarn, high-strength textured yarn.

## 2. Overview of the industry

### 1. Status and development of the industry

In response to changes in the economy and trading, the domestic man-made fiber industry has actively carried out structural adjustments to welcome the manufacturing of high-tech, functional and high-value clothing materials, and expand to non-fiber application fields. Covering health care, automotive, sports and other fields, the domestic man-made fiber industry has moved from capacity expansion to build a foundation for a procurement base for functional and eco-friendly fibers. In the future, the industry will move away from the conventional mindset to create a new look focusing on meeting consumer needs and technical requirements in the competitive global trading world.

### 2. Relations between upstream, midstream and downstream of the industry:



### 3. Development trends and competition of products:

In 2023, the global economy continued to recover at a slow pace. Prices of raw materials and electricity remained on the rise, accompanied by the lingering pressure of inflation due to international inventories not being fully consumed. The pandemic has not yet subsided, and there are many uncertainties affecting the domestic and global economic conditions. Amid the fierce global competitive environment, Taiwan's product export, at a disadvantage in terms of tariffs, needs to incorporate product differentiation and innovative applications to make up for the limitation of regional integration. Therefore, we will continue research and develop forward-looking technologies and innovative applications, and incorporate product design, study of mass production and systematic management into our process to strengthen our core competencies and leadership.

### (III) Overview of technology and R&D

#### 1. Research and development expenses

| Description                       | 2021                | 2022                | 2023                |
|-----------------------------------|---------------------|---------------------|---------------------|
| Research and development expenses | NT\$53,270 thousand | NT\$48,756 thousand | NT\$47,508 thousand |

#### 2. Products successfully developed and introduced to the market in 2023

| Description                     | Progress       | Overview   |
|---------------------------------|----------------|--|
| (1) Matte cellulose fiber       | Completed      | Lyocell yarn currently on the market have a high luster quality, but being reflective and dazzling can be a drawback if it is used in fabrics. In response to the demand for high-end/high-value differentiated products, the matte cellulose that we have initially developed is dull, and has the same characteristics and weaving and dyeing properties as the general Lyocell. Its mass production is being carried out by the subsidiary Acegreen Eco-Material.   |
| (2) Nylon 56 fiber              | In development | Focus on the spinning technology for nylon 56 fiber. The main characteristics of fiber are that it does not generate static easily and is soft to the touch. Its water absorption rate is 14%, higher than both PA6 and PA66, so it can provide better comfort when worn.  |
| (3) Polylactic acid (PLA) fiber | In development | Polylactic acid (PLA) is derived by extracting starch from plants such as corn and sugarcane, which is then fermented into lactic acid before being polymerized. It is biodegradable and more eco-friendly, and can be thermoplastic processed. It does not add to the CO <sub>2</sub> in the environment from combustion. The combustion heat is only 1/3 of that of PET, and it does not produce NO <sub>x</sub> or SO <sub>x</sub> . The fibers can be decomposed into carbon dioxide and water, making it completely biodegradable. After composting, it does not pollute land, and can fertilize land, which can be beneficial to environmental protection efforts, so they are called the green fibers, currently under mass production test with Japanese customer. |
| (4) Ionic liquid                | In development | Make up for the shortcomings of NMMO, increase its solid content, improve yield and reduce costs. NMMO can be unstable and has the risk of explosion, and ion liquids can improve this shortcoming.  |
| (5) Highly Extendable Lyocell   | In development | Presently, there are no relevant products in the market, and the issue of poor extensibility still needs to be overcome, in order to expand the application of the material.   |
| (6) Elastic Nylon               | In development | Presently, there are no relevant products in the market, and the drawback of nylon being a semi-crystalline material without elastic effect still needs to be overcome, in order to expand the application of the material.  |

| Description                           | Progress       | Overview  |
|---------------------------------------|----------------|---|
| (7) Super Absorbent Lyocell           | In development | Presently, there are no relevant products in the market, and the water-absorbent characteristic needs to be further increased to >300%, in order to expand the application of the material to medical wound dressing cloth. |
| (8) Antistatic Yarn With Reduced Cost | In development | Product is developed according to customer demands.   |
| (9) PET Water Repellent+dope dye      | In development | Presently, there are no relevant products in the market, and the key water-repellent effect still needs to be overcome in order to expand the application of the material.  |
| (10) High-Quality Recycled Nylon Yarn | In development | The key effect of physical or chemical modification needs to be overcome, in order to expand the application of the material.   |

#### (IV) Long-term and short-term business development planning

The man-made fiber and downstream weaving industries, just like other traditional manufacturing industries, have been moving to countries with low manufacturing costs. In the future, we have to adjust the proportion of domestic and export sales more flexibly according to changes in the market demand. Untapped markets and better connections with brands are the focus of our business expansion.

##### **Short-term business development plan:**

1. Develop long-term and loyal customers and improve service quality for stable business performance and co-create new business opportunities.
2. Develop channels of brand owners, align upstream, midstream and downstream partners, and improve differentiated product portfolios for better performance goals.
3. Expand sales of new products to increase profitability.
4. Accelerate development of latest products to be added to the product line.

##### **Long-term business development plan:**

Request brand owners to use the Company's raw materials to further improve profits and market share. Plan marketing strategies to increase exposure and brand aware to better connect with the world. Improve business objectives and sell high-margin products. Add new channels and sales of new products to avoid the erosion of profits due to changes in economy. Make achieving profitability a goal of the current business.

## II. Markets, production, and marketing

### (I) Market analysis:

#### 1. Main product sales and services regions:

The current ratio of domestic to export sales is about 5:5. The domestic sales is mainly for domestic textile mills and traders. Regions of export sales cover Hong Kong, China, Europe, North and South America, Asia, Middle East and North Africa.

#### 2. Market share:

Unit: Tonnes

| Year           |          | 2021         |               | 2022         |               | 2023         |               |
|----------------|----------|--------------|---------------|--------------|---------------|--------------|---------------|
|                |          | Sales volume | % of industry | Sales volume | % of industry | Sales volume | % of industry |
| Nylon yarn     | Industry | 143,219      | 100.00        | 152,738      | 100.00        | 120,891      | 100.00        |
|                | Acelon   | 12,053       | 8.42          | 9,572        | 6.27          | 7,872        | 6.51          |
| Polyester yarn | Industry | 704,528      | 100.00        | 588,100      | 100.00        | 442,042      | 100.00        |
|                | Acelon   | 284          | 0.04          | 168          | 0.03          | 104          | 0.02          |
| Textured yarn  | Industry | 535,520      | 100.00        | 461,801      | 100.00        | 354,459      | 100.00        |
|                | Acelon   | 19,142       | 3.57          | 14,510       | 3.14          | 14,055       | 3.97          |

Source: Taiwan Man-Made Fiber Industries Association

#### 3. Future market supply-demand and growth:

Nylon fiber has an irreplaceable position in apparel and industrial applications. In response to market demand, the production and sales strategy will focus on optimizing the customer and sales mix with more specialized services and extend to industries that can create more value, so as to promote our transformation and competitive advantage to achieve sustainability goals.

As the textile industry is part of the infrastructure supporting people's livelihood, the global economic downturn and the pandemic might have affected the demand, but the popularity of sports, the trends of combining fashion and functions, the drive by global brands toward corporate social responsibility and the growing demand in emerging countries have all generated new demand for high-quality, functional and green textiles. With the promotion for multiple new purposes, the demand for nylon fiber on man-man fiber products remains stable.

#### 4. Competitive niche

We have a good R&D foundation and team, and have continuously developed and commercialized value-added products. In terms of marketing, we continue to develop sales channels for our value-added products, and actively collaborate with brand owners to expand the market share and increase profits. In terms of production management, we promote production strategy goals to reduce costs and improve quality.

#### 5. Favorable and unfavorable factors affecting the future outlook

##### (1) Favorable:

- ① Flexible product strategy to create better competitive advantages.
- ② Strong manufacturing process and technical capabilities with cost advantage.
- ③ Unlimited potential of new products, including eco-friendly fibers such as high-performance antistatic fibers, dope-dyed yarn, eco-friendly yarn, etc.
- ④ Continuous expansion of end product types and sales channels to bring more business to the Company.

##### (2) Unfavorable:

- ① Low-price competition from China and Southeast Asian manufacturers.
- ② Violent fluctuation in prices of raw materials around the world.
- ③ Uncertainty in tariffs of many countries.
- ④ Trade barriers of many countries.
- ⑤ The unpredictability of international geopolitics.



6. Countermeasures:

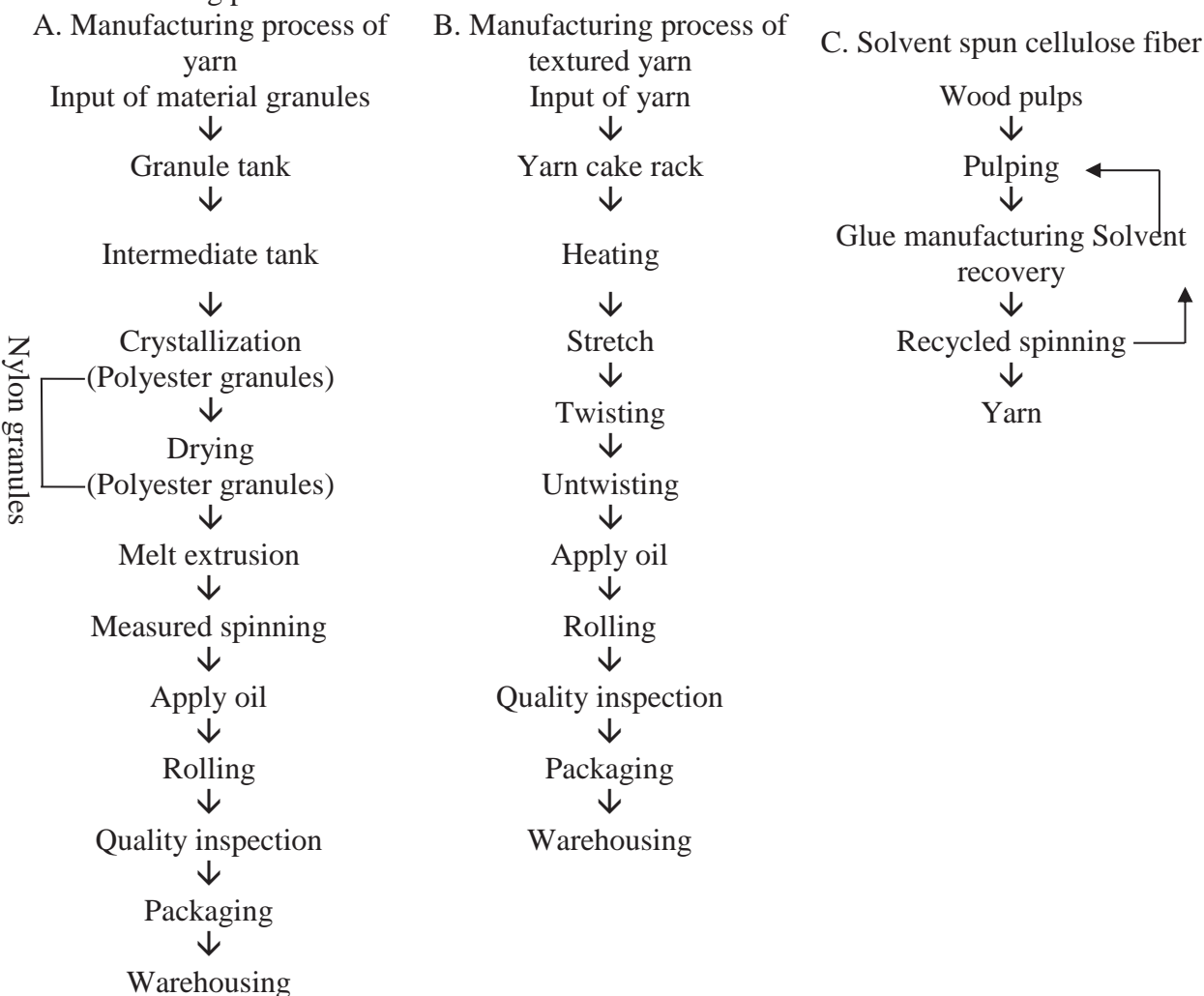
The ecosystem of trading for chemical fiber products can change rapidly due to globalization and formation of regional trade organizations. Market channels and marketing methods must also change accordingly. Faced with competition from emerging countries and domestic industry peers, we must have good quality, cost management and precise and quick delivery, apply flexible pricing policy and production and sales mix and actively align ourselves with the global trends (development of eco-friendly materials) to improve customer satisfaction and win more orders.

(II) Main uses and production processes of major products

1. Main product uses

| Product Name                                  | Uses  |
|---|---|
| Nylon yarn                                    | Clothing fabric, umbrella fabric, industrial fabric, sofa fabric, knitted cloth, rope   |
| Polyester yarn                                | Clothing fabric, industrial fabric, knitted cloth, webbing  |
| Imitation cotton nylon yarn, stretchable yarn | Clothing fabric, knitted cloth, aerobic wear, women's wear  |
| Polyester textured yarn                       | Clothing fabric, knitted cloth, men's socks, webbing  |
| Ultra-fine fiber composite yarn               | High-density fabric, peach fabric, dust removal cloth, long and short fiber interwoven cloth, composite synthetic leather flannelette |
| Solvent spun cellulose filament               | High-grade face fabric, lining, knitted cloth, various types of industrial fabrics  |

2. Manufacturing process



(III) Supply status of main raw materials

Nylon granules: Need about 1,690 tonnes per month; polyester granules: About 211 tonnes per month; polypropylene granules: About 47 tonnes per month.

(IV) List of main client in the last two years

1. Information on the main suppliers

Unit: NT\$ thousands;  
%

| Description | 2022         |           |                                   |                               | 2023         |           |                                   |                               | As of the end of the previous quarter in 2023 |         |  |                               |
|-------------|--------------|-----------|-----------------------------------|-------------------------------|--------------|-----------|-----------------------------------|-------------------------------|---|---------|--|-------------------------------|
|             | Item         | Amount    | % of the net purchase of the year | Relationship with the Company | Item         | Amount    | % of the net purchase of the year | Relationship with the Company | Item  | Amount  | Percentage of the net purchase as of the end of the previous quarter in the year (%) | Relationship with the Company |
| 1           | A0001        | 520,708   | 25.11%                            | None                          | A0002        | 530,862   | 35.56%                            | None                          | A0002   | 121,598 | 38.99%   | None                          |
| 2           | A0002        | 509,132   | 24.55%                            | None                          | A0001        | 477,141   | 31.96%                            | None                          | A0001   | 112,254 | 36.00%   | None                          |
| 3           | A0055        | 176,927   | 8.53%                             | None                          | A0011        | 47,800    | 3.20%                             | None                          | A0011   | 8,628   | 2.77%  | None                          |
| 4           | A0011        | 122,191   | 5.89%                             | None                          | A0055        | 42,114    | 2.82%                             | None                          | A0021   | 7,964   | 2.55%  | None                          |
| 5           | A0021        | 72,987    | 3.52%                             | None                          | A0021        | 37,329    | 2.50%                             | None                          | A0039   | 6,495   | 2.08%  | None                          |
|             |              |           |                                   |                               |              |           |                                   |                               |   |         |  |                               |
|             |              |           |                                   |                               |              |           |                                   |                               |   |         |  |                               |
|             | Others       | 671,829   | 32.40%                            |                               | Others       | 357,790   | 23.96%                            |                               | Others  | 54,916  | 17.61%   |                               |
|             | Net purchase | 2,073,774 | 100%                              |                               | Net purchase | 1,493,036 | 100%                              |                               | Net purchase                                  | 311,855 | 100.00%  |                               |

Note 1: The financial information up to the previous quarter of 2024 has been reviewed by the certified accountants.

Note 2: List the names of suppliers whose deliveries account for more than 10% of the total purchase, and their amounts and percentages. Supplier codes may be used if the names cannot be disclosed as required by the contract or if the transaction counterparty is an individual and is not a related party.

Note 3: Reasons for changes: To meet business needs.

Note 4: The above information is calculated based on the consolidated financial statements.

2. Information on major customers: We do not have any single customer who account for more than 10% of revenue, so this does not apply.

## (V) Production volume the most recent two years

Unit: NT\$ thousands/tonne

| Production volume and value<br>Main products<br>(or business unit) | 2022                |         | 2023      |                     |        |           |
|--|---------------------|---------|-----------|---------------------|--------|-----------|
|  | Production capacity | Volume  | Value     | Production capacity | Volume | Value     |
| Nylon yarn   | 31,000              | 20,918  | 1,669,019 | 30,500              | 19,971 | 1,419,725 |
| Polyester yarn   | 9,000               | 1,834   | 132,436   | 9,500               | 1,501  | 108,688   |
| Nylon textured yarn  | 18,000              | 11,748  | 1,238,533 | 18,500              | 12,051 | 1,133,338 |
| Polyester textured yarn  | 6,200               | 2,051   | 177,401   | 6,200               | 1,878  | 147,256   |
| Lyocell yarn   | 800                 | 418     | 128,435   | 1,000               | 887    | 278,938   |
| Medical materials  | 100,000             | 93,768  | 143,331   | 90,000              | 37,064 | 54,149    |
| Others   | 12,400              | 5,260   | 440,751   | 10,600              | 4,176  | 423,015   |
| Total  | 87,400              | 135,997 | 3,929,906 | 166,300             | 77,528 | 3,565,109 |

Note 1: If the production of each product can be substituted, the capacity may be calculated on a consolidated basis.

Note 2: The above information is calculated based on the consolidated financial statements.

## (VI) Sales volume the most recent two years

Unit: NT\$

thousands/tonne

| Sales Volume and Value<br>Main products<br>(or business unit) | 2022     |           |          |           | 2023     |           |          |           |
|---|----------|-----------|----------|-----------|----------|-----------|----------|-----------|
|   | Domestic |           | Overseas |           | Domestic |           | Overseas |           |
|   | Volume   | Value     | Volume   | Value     | Volume   | Value     | Volume   | Value     |
| Nylon yarn  | 7,093    | 565,730   | 2,447    | 222,626   | 5,890    | 411,202   | 1,971    | 163,810   |
| Polyester yarn  | 8        | 307       | 3        | 104       | 16       | 1,776     | —        | —         |
| Nylon textured yarn   | 4,165    | 463,954   | 6,769    | 757,120   | 2,747    | 282,540   | 8,184    | 786,146   |
| Polyester textured yarn                                       | 1,686    | 191,458   | 235      | 16,151    | 1,667    | 147,497   | 204      | 16,737    |
| Lyocell yarn  | 9        | 2,994     | 234      | 79,924    | 493      | 164,120   | 490      | 189,411   |
| Medical materials   | 97,481   | 186,593   | —        | —         | 40,716   | 61,497    | —        | —         |
| Others  | 3,613    | 275,541   | 183      | 22,924    | 2,963    | 211,152   | 152      | 17,783    |
| Total   | 114,055  | 1,686,577 | 9,871    | 1,098,849 | 54,492   | 1,279,784 | 11,001   | 1,173,887 |

Note: The above information is calculated based on the consolidated financial statements.

### III. Employees

Information on employees for the most recent two years and up to the publication date of the annual report:

| Year   |                                   | 2022               | 2023  | As of March 31,<br>2024 |       |
|--|-----------------------------------|--------------------|-------|-------------------------|-------|
| Number of<br>Employees                                 | Managerial officer                | 24                 | 25    | 23                      |       |
|  | Production line workers           | 411                | 361   | 369                     |       |
|  | General employees                 | 54                 | 58    | 57                      |       |
|  | Total                             | 489                | 444   | 449                     |       |
| Average age  |                                   | 41.8               | 42.8  | 43.9                    |       |
| Average service tenure (year)                          |                                   | 11.3               | 12.0  | 12.5                    |       |
| Distribution<br>of<br>educational<br>background<br>(%) | Doctoral degree                   |                    | 0.20  | 0.23                    | 0.22  |
|  | Master's degree                   |                    | 1.64  | 3.15                    | 2.90  |
|  | College                           |                    | 34.15 | 34.23                   | 33.85 |
|  | Senior high School                |                    | 22.09 | 19.59                   | 18.71 |
|  | Below<br>senior<br>high<br>school | Domestic           | 9.41  | 9.91                    | 9.80  |
|  |                                   | Foreign<br>workers | 32.51 | 32.89                   | 34.52 |

Note: The above information is calculated based on the consolidated financial statements.

#### IV. Environmental protection expenditure

(I) For those who are required to apply for a pollution facility installation permit or pollution discharge permit, or those who are required to pay pollution prevention fees or organize staff for environmental protection in accordance with the law, the process for application, payment or establishment is described as follows.

1. For Puyan factory, the latest permit number for stationary source operating permit is Fu-Shou-Huan-Kong-Tsao-Cheng-Zi #N1794-05, valid from March 17, 2021 to March 16, 2026; the latest permit number for water pollution prevention permit is Chang-Hsien-Huan-Shui-Hsu-Zi #04416-00, valid from March 17, 2021 to March 16, 2026. For Fangyuan factory, the latest permit number for stationary source operating permit is Fu-Shou-Huan-Kong-Tsao-Cheng-Zi #N1795-04, valid from January 22, 2020 to January 21, 2025; the latest permit number for water pollution prevention permit is Chang-Hsien-Huan-Shui-Hsu-Zi #05640-00, valid from March 29, 2023 to March 28, 2028. For Douliu factory, the latest permit number for stationary source operating permit is Fu-Shou-Huan-Kong-Tsao-Cheng-Zi #P0853-02, valid from May 4, 2022 to May 28, 2024; the latest permit number for water pollution prevention permit is Yun-Hsien-Huan-Shui-Hsu-Zi #0130-03, valid from April 18, 2021 to April 17, 2026. All have paid the pollution prevention and control fees. For the subsidiary Acegreen, the latest permit number for stationary source operating permit is Fu-Shou-Huan-Kong-Tsao-Cheng-Zi #N2490-03, and Jan-Cheng-Zi #N0021-01, both valid from June 22, 2022 to April 24, 2024; the latest permit number for water pollution prevention permit is Chang-Hsien-Huan-Shui-Hsu-Zi #04894-01, valid from October 7, 2022 to October 14, 2025. It has paid the pollution prevention and control fees.

The imported oil needed for the manufacturing process and the industrial waste that should be declared are reported quarterly in accordance with the regulations, and the soil and groundwater pollution remediation fees are also paid.

2. The pollution prevention and control fees of each factory are paid based on the Company's planning and actual needs.

3. We have always spared no effort in dealing with environmental issues. Talent nurturing is also very important to us. We currently have the following number of employees with professional certificates: 3 Class-B wastewater treatment specialists; 2 Class-A wastewater treatment specialists; 1 Class-A waste treatment technician; 3 Class-B waste treatment technicians; and 2 Class-B air pollution prevention and control specialist.

(II) Total amount of loss (including compensation and violation of environmental regulations discovered by environmental audit, which shall specify the date and document number of penalty, provisions of violation, content of violation and content of penalty) due to pollution as of the most recent year and the date of publication of the annual report. It also discloses the current and future potential estimates and countermeasures. If it cannot be reasonably estimated, please explain the fact:

| Date of Administrative Penalty |    |    | Unit          | Content Description   | Disposition Content                   | Document No.                     |
|--------------------------------|----|----|---------------|---|---------------------------------------|----------------------------------|
| 112                            | 11 | 15 | Puyan factory | 1. Waste R-0801 waste man-made fiber and R-0802 textile residue stored with flexible freight bags at open area of Lot No. 871 and 872, Yongxing Section, Puyan County, D-1799 waste oil mixture stored in intermediate bulk containers at Lot No. 872, Yongxing Section, Puyan County. Accordingly an administrative fine of NT\$6,000 was imposed. | Administrative Fine (NT\$) NT\$18,000 | Chang-Huan-Fei-Zi No. 1120075064 |

|     |    |    |               |   |                                       |                                      |
|-----|----|----|---------------|---|---------------------------------------|--------------------------------------|
|     |    |    |               | 2. D-1799 waste oil mixture stored at Lot No. 872, Yongxing Section, Puyan County with leakage and ground contamination. Accordingly, an administrative fine of NT\$12,000 was imposed. |                                       |                                      |
| 112 | 11 | 29 | Puyan factory | According to the audit dated 20230928, wastewater treatment facility process was found to be different from the pipeline and water pollution control permit license (document).         | Administrative Fine (NT\$) NT\$60,000 | Fu-Shou-Huan -Shui-Zi No. 1120468087 |

(III) Future countermeasures and possible expenditures:

1. If there is a new development project, the construction company is required to comply with the law.
2. The waste storage in the factory area undergoes renovation, and it is moved into the factory area for storage.

(IV) The environmental management system or certifications obtained: Oeko-Tex Standard 100.  
(Please see p. 292)

## V. Labor relations

(I) Employee welfare plans, continuing education, training, retirement systems and the status of their implementation, as well as the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Employee welfare measures: Implemented in accordance with relevant government regulations. The "Employee share ownership trust" system was introduced in 2021. The Employee Welfare Committee is responsible for formulating policy and meeting employee needs. The actual operations include the following:

ⓄPurchase group insurance policy for employees and arrange periodic employee health check.

ⓄDomestic and overseas trips, recreational activities and facilities.

ⓄEmployee birthday gift vouchers, bonus and gift vouchers for three major national holidays, grants for weddings and funerals.

ⓄChildren's scholarship.

ⓄGift vouchers for senior employees.

2. Human resources development system:

ⓄWe have the Education and Training Management Procedures (APP01); Professional Skills Training and Appraisal Procedures (APP02); Education and Training Committee Organizational Charter (AGSE5); Education and Training Committee Implementation Measures (AGSE6); Employee External Education and Training Measures (APP63 ); Internal Lecturer Management Measures (AGSD3); New University Graduates Training Implementation Rules (AGS093); and Hierarchy Joint Training Implementation Measures (APP65); New Recruit Trainer Management Measures (APP67); and Key Position Talent Development Management Measures (AGSG6) as standards for human resources development planning, implementation, evaluation and improvement.

Ⓞ2023 education and training achievements:

| Item        | Internal training | External training | Total     |
|-------------|-------------------|-------------------|-----------|
| Batch       | 116               | 69                | 185       |
| Person-time | 1,251             | 85                | 1,336     |
| Hours       | 340               | 557               | 896       |
| Cost (NT\$) | 2,577,828         | 280,729           | 2,858,557 |

3. Employees' behaviors and ethics:

We have established the "Codes of Ethical Conduct" and the "Procedures for Ethical Management and Guidelines for Conduct" for all employees, managerial officers and board members to follow.

We have established the "Employee Work Rules", and the content has been reported to the County Government of Changhua for review and approval (Fu-Lao-Dong-Zi #1080231417 approved the amendment as of 2019.07.15). We amend the Rules from time to time to meet the regulatory requirements and management needs, and the Rules have been made into manuals to be distributed to all employees as guidelines for both employer and employees to follow.

4. Labor retirement policies:

We have formulated retirement policies for employees who were officially hired. The Company contributes a monthly amount equal to 3% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund supervisory committee.

① We have established employee retirement policies.

② For those who chose the new pension system or new hires who were eligible for the new pension system after July 1, 2005, we allocate 6% of employees' monthly salaries and wages to the individual retirement fund account.

5. Retirement system and implementation progress

We have calculated pensions for employees' application for retirement and mandatory retirement in accordance with the law so far.

6. Employee stock subscription system:

In order to make employees treat the Company as their own and improve cohesion, we allocate 10% to 15% of new share for employees subscription.

7. Whether there are disputes, or employer-employee relationship which needs to be coordinated: None.

(II ) Total amount of loss (including violation of the Labor Standards Act discovered by labor audit, which shall specify the date and document number of penalty, provisions of violation, content of violation and content of penalty) due to labor dispute as of the most recent year and the date of publication of the annual report. It also discloses the current and future potential estimates and countermeasures. If it cannot be reasonably estimated, please explain the fact: The status of labor relations is considered good, and we have no major labor disputes so far.

(III) On 2015.12.23, we officially signed a collective agreement with the labor union of Acelon. The effective period of the agreement is from 2024.04.01 to 2027.03.31, and a new agreement will be negotiated once the current one expires.

1. The membership enrollment rate of the enterprise union is 99.6% in 2023.

2. In 2023, a total of 5 routine meetings were held, including 1 member representative assembly and 4 board meetings.



## VI. Cybersecurity management

### (I) Risk management framework

The Computer Information Division is the responsible unit for information security. It has an information supervisor and a network engineer. They are responsible for the safety of the network structure and equipment, the establishment of information security policies and measures and the performance of information security tasks. Ms. Su-jen Chen has been appointed as the Information Security Manager of our company, as resolved in the 12th meeting of the 12th Board of Directors.

### (II) Cybersecurity policy

1. Ensure that the Company's business operations continue to run, and the information services protected can be used in a stable manner.
2. Ensure the confidentiality, integrity and availability of the information assets held by the Company, and protect the privacy of personnel data.
3. Establish a business continuity management and plan for information, and implement activities that meet the requirements of relevant laws or regulations.

### (III) Specific management solutions

#### 1. Computer equipment safety management

- (1) We put our mainframe, application servers and other equipment in the dedicated computer room. The access is controlled by keys which are held by authorized personnel.
- (2) The computer room is equipped with an independent air-conditioning system to maintain the operation of computer equipment in an appropriate temperature. Chemical fire extinguishers are placed, which can be applied to fires caused by general or electrical appliances.
- (3) The mainframe in the computer room is equipped with uninterruptible power supply and voltage stabilizing equipment, and connected to the in-house generator system to prevent system crashes or interruption to applications due to unexpected power outage from Taiwan Power Corporation.
- (4) Personal computers are placed inside the office, and kept locked during non-working hours, so that those who are not employees will not be able to access them.

#### 2. Virus protection and management

- (1) Anti-virus software is installed in the server and employees' terminal computer equipment. The virus code is automatically updated to ensure that the system can block out the latest virus, and at the same time detect and prevent the installation of system execution files with potential threats.
- (2) The email server is equipped with mail anti-virus and spam filtering measures to prevent viruses or spam from entering users' PC.
- (3) Software is legally purchased from distributors, and the software installation is subject to authorization to prevent employees from unknowingly installing illegal software.

#### 3. Network security management

- (1) The connection between each factory area and the Internet is controlled by an enterprise-level firewall to block illegal intrusions and filter illegal and malicious traffic.
- (2) The firewall configures Internet behavior management and filtering equipment to control Internet access. Block access to network addresses and content that are harmful or not allowed by our policy. Strengthen network security and prevent bandwidth from being improperly occupied.
- (3) The connection between factories adopts the MPLS VPN, which is independent of the transmission of the general Internet, so as to prevent illegal interception during data transmission.
- (4) Employees must apply for a VPN account to log in to the intranet to access the ERP system remotely. Only through the secure method of VPN can they log in, and all access records are kept for future audit.

#### 4. IoT security management

- (1) The Company has incorporated the use of smart manufacturing into processes, and sensors are installed on the machine, so that the machine status and manufacturing progress can be actively collected to the server through the sensors.

- (2) Each machine has an independent network segment, so as to prevent the failure of one single machine from affecting all others and office computers. VLAN is used for isolation. If two network segments need to be connected, they must pass through the firewall for routing, and are scanned for malicious traffic to be blocked.

#### 5. System access control.

- (1) Employees apply for the account and password they need for the access of each application system. After their appropriate authorization level is approved, the Department of Information creates the account and password for them, and then the system administrator allow them to have the access with the functions and authorization level they apply for.
- (2) Account access requires passwords that have appropriate strength and number of characters, and must be a mix of alphanumeric characters symbols for access.
- (3) Before resigning (retiring) from the job, employees have to notify the Information Section through an application form to terminate (delete) their account on all systems.

#### 6. File security control:

- (1) New hires can only apply for an account that has the authority level needed to perform the tasks required for the business unit they work for, and account is activated by the Information Section.
- (2) Employees who wish to access documents of the other units need to follow internal procedures on applying for system authorization before they can access the files.
- (3) Employees who have a job rotation will have the access to the files in the original unit deleted on the effective date of their rotation, except for those who have applied for preservation in advance.
- (4) Connection of external storage devices to computers is restricted. Computers will not respond to external storage devices inserted by unauthorized personnel.
- (5) We will introduce a file management system in the future to manage file permissions and flows.

#### 7. Ensure continuous operation of the system

System backup: The Company adopts a daily backup routine. In addition to keeping one copy of files in the local computer room, it transmit additional copies to other factories for off-site backup.

#### 8. Information security promotion and education and training

The Company sends information security information to employees from time to time, and conducts information security promotion sessions twice a year to enhance employees' awareness of information security.

#### (IV) Resources committed to cybersecurity management

Self-inspection and warning notice:

- (1) The annual cybersecurity inspection conducted by the Audit Section checks whether the information security policy established by the Company is implemented, and the Audit Section checks whether the existing policy meets the current standard and regulatory guidelines from time to time.
  - (2) Subscribe to information related to information security. If there is a major vulnerability incident or news related to information security, the Information Section will be notified, and then make public announcements.
- (V) List the losses, possible impacts and countermeasures suffered from major information security incidents as of the most recent year and the date of publication of the annual report. For the incidents that cannot be reasonably estimated, describe the fact: None.

## VII. Important contracts:

| Nature of Contract  | Counterparty      | Contract Period            | Important Information   | Restrictions  |
|---------------------|-------------------|----------------------------|---|---|
| Land lease contract | Jui-Pin Liu       | 2016.01.01.<br>~2025.12.31 | 1. About 3,300 square meters.<br>2. Rent is NT\$220,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Jui-Pin Liu       | 2021.10.01.<br>~2031.09.30 | 1. About 3,200 square meters.<br>2. Rent is NT\$400,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Yung-Li Liu       | 2021.01.01.<br>~2030.12.31 | 1. About 4,560 square meters.<br>2. Rent is NT\$1,654,800 a year. | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Ching Shih        | 2022.01.24.<br>~2032.01.23 | 1. About 1,750 square meters.<br>2. Rent is NT\$250,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Ching Shih        | 2021.04.06.<br>~2031.04.05 | 1. About 3,100 square meters.<br>2. Rent is NT\$500,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Hung-Ming Lin     | 2022.12.01.<br>~2027.11.30 | 1. About 1,720 square meters.<br>2. Rent is NT\$300,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Chun-He Lin       | 2018.01.01.<br>~2022.12.31 | 1. About 1,358 square meters.<br>2. Rent is NT\$120,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Wei-Tieh Chen Liu | 2020.06.01<br>~2025.05.31  | 1. About 1,400 square meters.<br>2. Rent is NT\$360,000 a year.   | 1. Lease priority right after the lease contract expiration.<br>2. Ground structure is dismantled and the land is returned after the lease contract expiration. |
|                     | Lea Jean Textile  | 2022.04.15.-<br>2024.04.14 | 1. About 1,670 square meters.<br>2. Rent is NT\$1,356,000 a year. | Unconditionally restored to the original state and then returned after the lease contract expiration.   |

|   |                              |                           |  |   |
|---|------------------------------|---------------------------|--|---|
| Industrial Upgrading Innovation Platform Guidance Program | Ministry of Economic Affairs | 2023.04.01<br>~2025.03.31 | Traders, Suppliers, Manufacturers Integrated Carbon Reduction Strategic Demonstration Plan | Industrial Upgrading Innovation Platform Guidance Program |
|---|------------------------------|---------------------------|--|---|

## VIII. Protection measures for work environment and employees' personal safety

### (I) Equipment maintenance and inspection

1. Carry out regular inspections, key inspections and operation inspections of machinery and equipment in accordance with the safety and health inspection plan.
2. All dangerous machinery and equipment have passed the inspection conducted by inspection agencies designated by the central competent authority, and certificates have been obtained.

### (II) Work safety permit system

Works that involve the use of flame, elevated operations, crane hoisting, anoxic environment (entry into tanks) and other controlled construction will need a permit before the operation. Necessary protective measures must be taken to ensure the safety of employees.

### (III) Contractor management

1. Formulate contractor safety and health management measures.
2. Inform contractors of their work environment, hazards, and relevant measures to be taken before they enter the factory for work.
3. Formulate the operations management measures for consultative organizations in accordance with the law, and set up a consultative organization to prevent occupational injuries of contractors and sub-contractors.
4. Contractors should submit their safety and health management information and join the consultative organization before entering factories for work.
5. Hold meetings of the consultative organization to carry out work communication and coordination.

### (IV) Safety and health management audit

1. Section-level supervisors should conduct patrol inspections for safety and health issues at the job sites regularly or irregularly.
2. The Health and Safety Section visits each factory to carry out document audits and on-site safety and health inspection every month.

### (V) Work environment testing

1. Formulate a work environment monitoring plan, and conduct a work environment testing in March and September every year.
2. Carry out inspections for stationary sources every year in accordance with environmental protection regulations.
3. Carry out fire safety equipment maintenance in June and December every year.

### (VI) Status of education and training

1. Safety and health education and training sessions for new hires.
2. Safety and health education and training for on-the-job employees and specialized education and training for employees carrying out specialized operations.
3. Self-defense fire formation training every June and December.

### (VII) Health inspection

1. Conduct physical exams for new hires. Implement regular health checks for on-the-job employees every year. For employees engaged in hazardous operations, carry out special health checks.

### (VIII) Health promotion

1. Implement a smoke-free policy. Smoking is currently prohibited throughout the factory area to provide employees with a smoke-free work environment. In January 2017, our plants in Puyan and Fangyuan have obtained the Workplace Health Promotion

Certification mark from the Health Promotion Administration of the Ministry of Health and Welfare, and the effective period was extended to December 31, 2022. In January 2017, the Douliu factory has obtained the Healthy Workplace Certification mark from the same agency, and the effective period was also extended to December 31, 2024.

In January 2023, the subsidiary of Jutai obtained the Health Workplace Certification Health Initiative Emblem awarded by the Ministry of Health and Welfare, National Health Administration, with a validity period until December 31, 2025.

2. Each factory hires contracted medical personnel to provide on-site medical services. Factories in Puyan and Douliu have 50 to 99 people, and nurses visit the factories once a month, and medical specialists visit the factories once a year. Factory in Fangyuan and the subsidiary Acegreen have 100 to 199 people, and nurses visit the facilities four times a month, and physicians visit the facilities four times a year. They provide health consultation, four major plans and occupational disaster prevention courses.

## Six. Overview of Financial Status

### I. Condensed balance sheet and income statement and accountants' auditing recommendations for the last five years

#### (I) Consolidated condensed balance sheet - International Financial Reporting Standards

Unit: NT\$ thousands

| Description   |                     | Year | Financial information for the past five fiscal years |           |           |           |           | Financial information as of March 31, 2024 (Note) |
|---|---------------------|------|--|-----------|-----------|-----------|-----------|---|
|   |                     | 2019 | 2020   | 2021      | 2022      | 2023      |           |   |
| Current assets  |                     |      | 1,385,408  | 1,355,121 | 1,768,408 | 1,516,926 | 1,447,149 | 1,398,622   |
| Property, plant and equipment                             |                     |      | 1,726,548  | 1,707,105 | 1,657,754 | 1,786,914 | 1,803,323 | 1,783,452   |
| Intangible assets   |                     |      | 77   | 68        | 2,752     | 2,573     | 2,288     | 2,104   |
| Other assets  |                     |      | 290,169  | 358,039   | 256,015   | 180,878   | 187,817   | 186,367   |
| Total assets  |                     |      | 3,402,202  | 3,420,333 | 3,684,929 | 3,487,291 | 3,440,577 | 3,370,545   |
| Current liabilities                                       | Before distribution |      | 668,422  | 619,957   | 1,152,412 | 841,998   | 815,286   | 775,290   |
|   | After distribution  |      | 668,422  | 619,957   | 1,263,569 | 841,998   | 815,286   | 775,290   |
| Non-current liabilities                                   |                     |      | 1,191,526  | 1,220,779 | 776,289   | 1,049,400 | 1,181,721 | 1,169,091   |
| Total Liabilities   | Before distribution |      | 1,859,948  | 1,840,736 | 1,928,701 | 1,891,398 | 1,997,007 | 1,944,381   |
|   | After distribution  |      | 1,859,948  | 1,840,736 | 2,039,858 | 1,891,398 | 1,997,007 | 1,944,381   |
| Equity attributable to shareholders of the parent company |                     |      | 1,542,254  | 1,576,102 | 1,756,228 | 1,595,893 | 1,443,570 | 1,426,164   |
| Capital   |                     |      | 1,111,573  | 1,111,573 | 1,111,573 | 1,111,573 | 1,111,573 | 1,111,573   |
| Additional paid-in capital                                | Before distribution |      | 452,736  | 452,771   | 453,043   | 431,153   | 431,153   | 431,153   |
|   | After distribution  |      | 452,736  | 452,771   | 431,153   | 431,153   | 431,153   | 431,153   |
| Retained earnings   | Before distribution |      | (17,716)   | 19,754    | 200,346   | 57,897    | (92,977)  | (111,501)   |
|   | After distribution  |      | (17,716)   | 19,754    | 111,079   | 57,897    | (92,977)  | (111,501)   |
| Other equity interests                                    |                     |      | (4,339)  | (7,996)   | (8,734)   | (4,730)   | (6,179)   | (5,061)   |
| Treasury stock  |                     |      | -  | -         | -         | -         | -         | -   |
| Non-controlling interests                                 |                     |      | -  | 3,495     | -         | -         | -         | -   |
| Total equity  | Before distribution |      | 1,542,254  | 1,579,597 | 1,756,228 | 1,595,893 | 1,443,570 | 1,426,164   |
|   | After distribution  |      | 1,542,254  | 1,579,597 | 1,645,071 | 1,595,893 | 1,443,570 | 1,426,164   |

Note: The financial information up to March 31, 2024 has been reviewed by the certified accountants.

## (II) Parent-only condensed balance sheet - International Financial Reporting Standards

Unit: NT\$ thousands

| Year<br>Description                                       |                     | Financial information for the past five fiscal years |           |           |           |           | Financial information as March 31, 2024 (Note) |
|---|---------------------|--|-----------|-----------|-----------|-----------|--|
|   |                     | 2019   | 2020      | 2021      | 2022      | 2023      |  |
| Current assets  |                     | 1,241,391  | 1,208,558 | 1,604,173 | 1,242,766 | 1,165,167 | Not Applicable                                 |
| Property, plant and equipment                             |                     | 766,040  | 733,521   | 727,211   | 865,900   | 962,076   |  |
| Intangible assets   |                     | -  | -         | 401       | 370       | 234       |  |
| Other assets  |                     | 592,695  | 618,323   | 512,453   | 412,721   | 372,045   |  |
| Total assets  |                     | 2,600,126  | 2,560,402 | 2,844,238 | 2,521,757 | 2,499,522 |  |
| Current liabilities                                       | Before distribution | 481,338  | 397,699   | 889,761   | 750,557   | 738,583   |  |
|   | After distribution  | 481,338  | 397,699   | 1,000,918 | 750,557   | 738,583   |  |
| Non-current liabilities                                   |                     | 576,534  | 586,601   | 198,249   | 175,307   | 317,369   |  |
| Total Liabilities   | Before distribution | 1,057,872  | 984,300   | 1,088,010 | 925,864   | 1,055,952 |  |
|   | After distribution  | 1,057,872  | 984,300   | 1,199,167 | 925,864   | 1,055,952 |  |
| Equity attributable to shareholders of the parent company |                     | 1,542,254  | 1,576,102 | 1,756,228 | 1,595,893 | 1,443,570 |  |
| Capital   |                     | 1,111,573  | 1,111,573 | 1,111,573 | 1,111,573 | 1,111,573 |  |
| Additional paid-in capital                                | Before distribution | 452,736  | 452,771   | 453,043   | 431,153   | 431,153   |  |
|   | After distribution  | 452,736  | 452,771   | 431,153   | 431,153   | 431,153   |  |
| Retained earnings   | Before distribution | (17,716)   | 19,754    | 200,346   | 57,897    | (92,977)  |  |
|   | After distribution  | (17,716)   | 19,754    | 111,079   | 57,897    | (92,977)  |  |
| Other equity interests                                    |                     | (4,339)  | (7,996)   | (8,734)   | (4,730)   | (6,179)   |  |
| Treasury stock  |                     | -  | -         | -         | -         | -         |  |
| Non-controlling interests                                 |                     | -  | -         | -         | -         | -         |  |
| Total equity  | Before distribution | 1,542,254  | 1,576,102 | 1,756,228 | 1,595,893 | 1,443,570 |  |
|   | After distribution  | 1,542,254  | 1,576,102 | 1,645,071 | 1,595,893 | 1,443,570 |  |

Note: The financial information of 2019 to 2023 has been reviewed by the certified accountants.



## (III) Consolidated condensed income statement - International Financial Reporting Standards

Unit: NT\$ thousands

| Description \ Year  | Financial information for the past five fiscal years |           |           |           |           | Financial information as of March 31, 2024 (Note) |
|---|--|-----------|-----------|-----------|-----------|---|
|   | 2019   | 2020      | 2021      | 2022      | 2023      |   |
| Operating revenue   | 3,293,851  | 2,635,433 | 3,570,655 | 2,785,426 | 2,453,671 | 593,559   |
| Operating gross profit  | 231,310  | 281,685   | 621,357   | 170,855   | 80,813    | 41,298  |
| Operating income  | (5,771)  | 14,750    | 237,826   | (119,138) | (154,581) | (19,345)  |
| Non-operating income and expenses   | (108,584)  | 28,284    | (41,461)  | 54,926    | (8,279)   | 4,418   |
| Income before income tax  | (114,355)  | 43,034    | 196,365   | (64,212)  | (162,860) | (14,927)  |
| Profit of (loss) for the period from continuing operations                    | (99,040)   | 40,489    | 178,200   | (66,744)  | (151,349) | (18,524)  |
| Loss from discontinued operations   | -  | -         | -         | -         | -         | -   |
| Net profit (loss) for the current period:                                     | (99,040)   | 40,489    | 178,200   | (66,744)  | (151,349) | (18,524)  |
| Other comprehensive income or loss of the period (net after taxes)            | (2,477)  | (8,681)   | 1,976     | 17,566    | (974)     | 1,118   |
| Total comprehensive income  | (101,517)  | 31,808    | 180,176   | (49,178)  | (152,323) | (17,406)  |
| Net income attributable to shareholders of the parent company                 | (101,517)  | 42,494    | 177,878   | (66,744)  | (151,349) | (18,524)  |
| Net income attributable to non-controlling interests                          | -  | (2,005)   | 322       | -         | -         | -   |
| Total comprehensive income attributable to shareholders of the parent company | (101,517)  | 33,813    | 179,854   | (49,178)  | (152,323) | (18,524)  |
| Total comprehensive income attributable to shareholders of the parent company | -  | (2,005)   | 322       | -         | -         | -   |
| Earnings per share  | (0.89)   | 0.38      | 1.60      | (0.60)    | (1.36)    | (0.17)  |

Note: The financial information up to March 31, 2024 has been reviewed by the certified accountants.

## (IV) Parent-only condensed income statement - International Financial Reporting Standards

Unit: NT\$ thousands

| Description \ Year  | Financial information for the past five fiscal years |           |           |           |           | Financial information as March 31, 2024 (Note) |
|---|--|-----------|-----------|-----------|-----------|--|
|   | 2019   | 2020      | 2021      | 2022      | 2023      |  |
| Operating revenue   | 3,087,549  | 2,261,896 | 3,166,211 | 2,442,173 | 1,965,587 | Not Applicable                                 |
| Operating gross profit  | 229,058  | 216,841   | 541,888   | 171,265   | 20,706    |  |
| Operating income  | 30,660   | 15,831    | 249,169   | (46,434)  | (134,061) |  |
| Non-operating income and expenses   | (149,637)  | 32,554    | (57,739)  | (14,645)  | (29,829)  |  |
| Income before income tax  | (118,977)  | 48,385    | 191,430   | (61,079)  | (163,890) |  |
| Profit of (loss) for the period from continuing operations                    | (99,040)   | 42,494    | 177,878   | (66,744)  | (151,349) |  |
| Loss from discontinued operations   | -  | -         | -         | -         | -         |  |
| Net profit (loss) for the current period:                                     | (99,040)   | 42,494    | 177,878   | (66,744)  | (151,349) |  |
| Other comprehensive income or loss of the period (net after taxes)            | (2,477)  | (8,681)   | 1,976     | 17,566    | (974)     |  |
| Total comprehensive income  | (101,517)  | 33,813    | 179,854   | (49,178)  | (152,323) |  |
| Net income attributable to shareholders of the parent company                 | (101,517)  | 33,813    | 179,854   | (49,178)  | (152,323) |  |
| Net income attributable to non-controlling interests                          | -  | -         | -         | -         | -         |  |
| Total comprehensive income attributable to shareholders of the parent company | (101,517)  | 33,813    | 179,854   | (49,178)  | (152,323) |  |
| Total comprehensive income attributable to shareholders of the parent company | -  | -         | -         | -         | -         |  |
| Earnings per share  | (0.89)   | 0.38      | 1.60      | (0.60)    | (1.36)    |  |

Note: The financial information of 2019 to 2023 has been reviewed by the certified accountants.

(V) Names and opinions of auditors for the last five years

| Year | Name of CPAs  | Opinion   |
|------|---|---|
| 2019 | EnWise CPAs & Co.<br>Nien-Chieh Liao, Yong-Ren Tsao | An unqualified opinion - Key audit matters - Significant losses from disasters. Other audit matters - Adopting the audit reports from other accountants |
| 2020 | EnWise CPAs & Co.<br>Nien-Chieh Liao, Yong-Ren Tsao | An unqualified opinion - Other audit matters - Adopting the audit reports from other accountants  |
| 2021 | EnWise CPAs & Co.<br>Nien-Chieh Liao, Yong-Ren Tsao | An unqualified opinion - Other audit matters - Adopting the audit reports from other accountants  |
| 2022 | EnWise CPAs & Co.<br>Ching-Yi Chen, Yong-Ren Tsao   | An unqualified opinion - Other audit matters - Adopting the audit reports from other accountants  |
| 2023 | EnWise CPAs & Co.<br>Ching-Yi Chen, Yong-Ren Tsao   | An unqualified opinion - Other audit matters - Adopting the audit reports from other accountants  |

## II. Financial analysis for the last five years

### (I) Financial analysis of consolidated statements - Adopt IFRS

| Year<br>Items to be analyzed |   | Financial analyses for the past five fiscal years |        |        |        |         | As of March 31,<br>2024<br>(Note) |
|------------------------------|---|---|--------|--------|--------|---------|-----------------------------------|
|                              |   | 2019  | 2020   | 2021   | 2022   | 2023    |                                   |
| Capital structure (%)        | Debt to asset ratio                                   | 54.67   | 53.82  | 52.34  | 54.24  | 58.04   | 57.69                             |
|                              | Long-term fund to property, plant and equipment ratio | 158.34  | 164.04 | 152.77 | 148.04 | 145.58  | 145.52                            |
| Solvency %                   | Current ratio   | 207.27  | 218.58 | 153.45 | 180.16 | 177.50  | 180.40                            |
|                              | Quick ratio   | 94.76   | 125.55 | 80.40  | 71.32  | 72.60   | 69.05                             |
|                              | Times interest earned                                 | (3.51)  | 2.97   | 9.94   | (1.33) | (3.39)  | (0.71)                            |
| Operating performance        | Receivables turnover ratio (times)                    | 6.72  | 6.33   | 7.69   | 6.41   | 6.47    | 6.24                              |
|                              | Days sales outstanding                                | 54.32   | 57.66  | 47.46  | 56.94  | 56.41   | 58.49                             |
|                              | Average inventory turnover (times)                    | 3.86  | 3.88   | 4.60   | 3.25   | 2.95    | 2.92                              |
|                              | Accounts payable turnover ratio (times)               | 8.28  | 9.97   | 9.42   | 8.59   | 9.96    | 9.04                              |
|                              | Average inventory turnover days                       | 94.56   | 94.07  | 79.35  | 112.31 | 123.73  | 125.00                            |
|                              | Property, plant and equipment turnover (times)        | 1.87  | 1.54   | 2.12   | 1.62   | 1.37    | 1.32                              |
|                              | Total assets turnover (times)                         | 0.93  | 0.77   | 1.01   | 0.78   | 0.71    | 0.68                              |
| Profitability                | Return on total assets (%)                            | (2.20)  | 1.82   | 5.58   | (1.08) | (3.37)  | (0.23)                            |
|                              | Return on equity (%)                                  | (6.22)  | 2.59   | 10.68  | (3.98) | (9.96)  | (1.29)                            |
|                              | Pre-tax income to paid-in capital Percentage (%)      | (10.29)   | 3.87   | 17.67  | (5.78) | (14.65) | (1.34)                            |
|                              | Net margin (%)  | (3.01)  | 1.54   | 4.99   | (2.40) | (6.17)  | (3.12)                            |
|                              | Earnings per share (NT\$)                             | (0.89)  | 0.38   | 1.60   | (0.60) | (1.36)  | (0.17)                            |
| Cash flow                    | Cash flow ratio (%)                                   | 9.48  | 97.44  | 14.52  | 2.35   | 11.44   | 5.62                              |
|                              | Cash flow adequacy ratio (%)                          | 49.22   | 165.20 | 111.27 | 81.57  | 74.53   | 75.52                             |
|                              | Cash reinvestment ratio (%)                           | 0.99  | 9.21   | 2.78   | (1.46) | 1.46    | 0.68                              |
| Leverage                     | Operating leverage                                    | (31.67)   | 15.07  | 2.05   | (1.07) | (0.80)  | (2.35)                            |
|                              | Financial leverage                                    | 0.19  | (1.82) | 1.10   | 0.82   | 0.81    | 0.69                              |

Please indicate the reasons for the changes in the financial ratios in the past two years:

1. Times interest earned decreased by 149%, due to net loss before tax for the period.
2. Return on assets decreased by 212%, return on equity decreased by 150%, pre-tax income to paid-in capital ratio decreased by 154%, profit margin decreased by 157% and earnings per share decreased by 127%, mainly due to the net loss after tax in the current period.
3. Cash flow ratio decreased by 387%, and the cash reinvestment ratio increased by 200%, mainly due to the decrease in inventory and the increase in revenue in the current period, and the increase in cash flow generated from operating activities compared with the previous period.
4. Operating leverage decreased by 25%, and financial leverage decreased by 12%, mainly due to operating losses in the current period.

Note: The financial information up to March 31, 2024 has been reviewed by the certified accountants.

Note 1: The year that has not been certified by the accountants should be indicated.

Note 2: Public companies or those who have their shares traded OTC at securities firms shall include in the analysis the financial information up to the quarter before the publication date of the annual report.

Note 3: The end of the table should list the following formula:

1. Financial structure

(1) Debt-to-asset ratio = Total liabilities / Total assets

(2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Liquidity analysis

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities

(3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance

(1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)

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

(3) Average inventory turnover = Cost of goods sold / average inventory

(4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)

(5) Average inventory turnover days = 365 / Inventory turnover

(6) Fixed asset turnover = Net sales / Average net value of fixed asset.

(7) Total asset turnover = Net sales / Average total asset

4. Profitability analysis

(1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets

(2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

(3) Net margin = Net income / Net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating income - Variable operating costs and expenses) / Operating profit (Note 6)

(2) Financial leverage = Operating profit / (Operating profit - Interest expense)

Note 4: Pay attention to the following issues when making calculation for the earnings per share based on the above formula:

1. Calculation should be based on the weighted average number of common shares, not the number of issued shares at year end.

2. In case there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

3. In case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is a loss, no adjustment is made.

Note 5: Pay attention to the following issues when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.

2. Capital expenditures refers to the amounts of cash out-flows for annual capital investment.

3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.

4. Cash dividend includes cash dividends from both common shares and preferred shares.

5. Real property, plant and equipment value refers to the total value of property, plant and equipment prior to the

subtraction of accumulated depreciation.

Note 6: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, pay attention to their reasonableness and maintain consistency.

Note 7: Issuers shall separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, pay attention to their reasonableness and maintain consistency.

## (II) Financial analysis of parent-only statements - Adopt IFRS

| Items to be analyzed  |   | Year    | Financial analyses for the past five fiscal years |        |        |         |  |
|-----------------------|---|---------|---|--------|--------|---------|--|
|                       |   | 2019    | 2020  | 2021   | 2022   | 2023    |  |
| Capital structure (%) | Debt to asset ratio                                   | 40.69   | 38.44   | 38.25  | 36.72  | 42.25   |  |
|                       | Long-term fund to property, plant and equipment ratio | 276.59  | 294.84  | 268.76 | 204.55 | 183.04  |  |
| Solvency %            | Current ratio   | 257.90  | 303.89  | 180.29 | 165.58 | 157.76  |  |
|                       | Quick ratio   | 119.36  | 203.35  | 111.46 | 78.32  | 63.34   |  |
|                       | Times interest earned                                 | (8.31)  | 5.38  | 21.17  | (7.87) | (12.45) |  |
| Operating performance | Receivables turnover ratio (times)                    | 6.37    | 5.69  | 7.21   | 5.89   | 5.62    |  |
|                       | Days sales outstanding                                | 57.30   | 64.15   | 50.62  | 61.97  | 64.95   |  |
|                       | Average inventory turnover (times)                    | 4.20    | 4.07  | 5.65   | 4.00   | 3.28    |  |
|                       | Accounts payable turnover ratio (times)               | 8.20    | 9.33  | 9.10   | 8.15   | 9.16    |  |
|                       | Average inventory turnover days                       | 86.90   | 89.68   | 64.60  | 91.25  | 111.28  |  |
|                       | Property, plant and equipment turnover (times)        | 3.95    | 3.02  | 4.34   | 3.07   | 2.15    |  |
|                       | Total assets turnover (times)                         | 1.13    | 0.88  | 1.17   | 0.91   | 0.78    |  |
| Profitability         | Return on total assets (%)                            | (3.25)  | 2.03  | 6.91   | (2.10) | (5.58)  |  |
|                       | Return on equity (%)                                  | (6.22)  | 2.73  | 10.68  | (3.98) | (9.96)  |  |
|                       | Pre-tax income to paid-in capital (%)                 | (10.70) | 4.35  | 17.22  | (5.49) | (14.74) |  |
|                       | Net margin (%)  | (3.21)  | 1.88  | 5.62   | (2.73) | (7.70)  |  |
|                       | Earnings per share (NT\$)                             | (0.89)  | 0.38  | 1.60   | (0.60) | (1.36)  |  |
| Cash flow             | Cash flow ratio (%)                                   | 15.05   | 120.46  | 16.56  | 1.80   | (2.49)  |  |
|                       | Cash flow adequacy ratio (%)                          | 102.63  | 173.76  | 120.71 | 84.18  | 64.86   |  |
|                       | Cash reinvestment ratio (%)                           | 1.30    | 8.46  | 2.89   | (1.98) | (0.37)  |  |
| Leverage              | Operating leverage                                    | 5.73    | 8.23  | 1.49   | (1.91) | (0.24)  |  |
|                       | Financial leverage                                    | 1.68    | 3.54  | 1.04   | 0.83   | 0.92    |  |



### III. Audit committee review of the 2023 annual financial report

## Audit Committee Report

We have reviewed the Company's 2023 business report, financial statements and earnings distribution proposal prepared by the board of directors. The financial statements have been audited by CPA Ching-Yi Chen and CPA Kevin Tsao of EnWise CPAs & Co., and an independent auditor's report has been issued. The business report, financial statements, and loss appropriation proposal have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please kindly find the attached report for your reference.

For

Acelon Chemicals & Fiber Corporation 2024 Annual General Meeting

Acelon Chemicals & Fiber Co.,Ltd.

Convener of Audit Committee: Shui-Chin Chen



March 15, 2024

#### IV. 2023 Consolidated Financial Statements certified by the CPAs

### **Affiliated Enterprise Consolidated Financial Statements Declaration**

The entities that are required to be included in the combined financial statements for affiliates of the Company as of and for the year ended on December 31, 2023, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Company Name: Acelon Chemicals & Fiber Co., Ltd.

Responsible Person: Wen-Tung Chou



March 15, 2024



## Independent Auditor's Report

Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries:

### Opinion

We have audited the accompanying consolidated balance sheets of Acelon Chemicals & Fiber Corporation as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, as well as the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the reports of other independent auditors (please refer to the Other Information), the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acelon Chemicals & Fiber as of December 31, 2023 and 2022, and its financial performance and cash flows from January 1 to December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Statements by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations endorsed and issued into effect by the Financial Supervisory Commission.

### Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing principles generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Acelon Chemicals & Fiber and its subsidiaries in accordance with the Professional Ethics for Certified Public Accountant and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Acelon Chemicals & Fiber and its subsidiaries of fiscal year 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we



do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements of Acelon Chemicals & Fiber and its subsidiaries for the year ended December 31, 2023 are stated as follows:

### I. Operating revenue recognized

The management level faces pressure on operational objectives, market scale and competition and asset impairment assessment on whether the revenue meets the operational objectives, and Acelon Chemicals & Fiber and its subsidiaries are in an industry susceptible to many factors such as market supply and demand, so they are all listed as key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Test the effectiveness of the design and implementation of the internal control system for the sales and collection cycle, and assess whether the revenue recognition is appropriate.
2. Analyze the differences in two periods of sales to the top ten clients of Acelon Chemicals & Fiber and its subsidiaries, and assess the rationality.
3. Conduct the sales revenue transaction test for the top ten new sales customers in the current period, and verify whether the collection and reversal counterparties are consistent with the counterparties of the sales.
4. Analyze significant or unexpected changes and trends based on objective and independent data, compare sales revenue and returns in previous and current trends, cost of goods sold and gross profit in previous and current trends, and trends analysis of previous and current delivery volume.
5. Understand whether there is any material change in revenue during the period before and after the financial report date, and whether there is a material sales return or discount, and analyze the reasons.

### II. Subsequent measurement of inventory

As of December 31, 2023, the net inventory of Acelon Chemicals & Fiber and its subsidiaries was NT\$704,461 thousand. As introducing new products may lead to material changes in market demand, or the updates in production technology may make the original products no longer meet the market demand, the management must assess the loss in net realisable value due to inventory write-off from inventory obsolescence. Since the amount of inventory is large, its obsolescence involves material judgments by the management, so it is listed as one of our key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:



1. Assess the internal control protocols of operating costs, check the transaction records and relevant source documents to determine the integrity of transaction records, the classification of inventory and operating costs, and reliability of inventory and records.
2. Spot check the purchase transaction records of the ending inventory, and test whether the unit price and calculation are correct.
3. Calculate the growth rates of inventory and cost of goods sold and compare them with the growth rate of operating income in the same period to see if the change trend is reasonable.
4. Check the reports related to the inventory age, analyze the changes in the inventory age, and assess whether the subsequent measurement of the inventory has been handled in accordance with its accounting policy.
5. Understand and assess the reasonableness of the net realisable value basis adopted by management.

### III. Impairment of property, plant and equipment

Acelon Chemicals & Fiber and its subsidiaries mainly produce nylon yarns, polyester yarns, processed yarns and other related products. Due to market saturation after long-term development, the sales momentum is easily affected by the economy. The recoverability of the book value of such assets depends on the forecast of future operating cash flow, discount rate and growth rate. These require significant judgments by the management and have a high degree of uncertainty in estimation. Therefore, they are listed as our key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Obtained the asset impairment assessment statement or projected income statement prepared by Acelon Chemicals & Fiber and its subsidiaries for the business units to which the cash-generating units belong.
2. Assess the rationality of the management of Acelon Chemicals & Fiber and its subsidiaries in identifying signs of impairment, as well as the assumptions and sensitivities used, including the appropriateness of cash-generating units differentiated, cash flow forecasts, and discount rates.
3. We have obtained appraisal reports for part of the property from property appraisers, which will help the valuation of disposal of cash-generating units.

### **Other Matters – Making Reference to the Audits of Component Auditors**

Among the investee companies included in the above-mentioned consolidated financial report, the financial statements of the invested affiliates have not been audited by us, but have



been audited by other accountants. Therefore, in the opinions expressed by us on the abovementioned consolidated report, the amount listed in the financial statements of the invested affiliates is based on the audit report produced by other accountants. The balance of investments accounted for using equity method as of December 31, 2023 and 2022 was NT\$54,969 thousand and NT\$58,688 thousand, respectively, accounting for 1.6% and 1.7% of the total consolidated assets, respectively; the share of losses of associates recognized using the equity method from January to December 31, 2023 and 2022 was NT\$(2,270) thousand and NT\$(1,837) thousand, accounting for 1.4% and 2.9% of the consolidated comprehensive income, respectively.

### **Other matters**

We have audited and expressed an unmodified opinion on the parent-only financial statements of Acelon Chemicals & Fiber as of 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 the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing Acelon Chemicals & Fiber and its subsidiaries' financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements can arise from fraud or error and



are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing principles, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also conduct the following tasks:

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



6. Obtain sufficient and appropriate audit evidence regarding the financial information of the invested associated using the equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit for the invested associates. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

EnWise CPAs & Co.  
CPA: Ching-Yi Chen

EnWise CPAs & Co.  
CPA: Yong-Ren Tsao

Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number: (88)  
Tai-Tsai-Zheng (6) 55000

Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number:  
Jin-Guan-Zheng (6) #0980018119

March 15, 2024





### Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

# Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries

## Consolidated Balance Sheet As of December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

| Code | Assets<br>Description  | Note          | December 31, 2023   |              | December 31, 2022  |              |
|------|--|---------------|---------------------|--------------|--------------------|--------------|
|      |  |               | Amount              | %            | Amount             | %            |
| 11XX | Current assets   |               |                     |              |                    |              |
| 1100 | Cash and cash equivalents  | 4 and 6       | \$ 187,526          | 5.5          | \$ 225,398         | 6.5          |
| 1150 | Notes receivable, net  | 4, 6 and 8    | 70,358              | 2.0          | 57,759             | 1.7          |
| 1170 | Accounts receivable, net   | 4, 5, 6 and 7 | 319,595             | 9.3          | 307,269            | 8.8          |
| 1200 | Other receivables  | 5 and 6       | 14,402              | 0.4          | 10,070             | 0.3          |
| 130x | Inventories  | 4, 5 and 6    | 704,461             | 20.5         | 771,823            | 22.1         |
| 1410 | Prepayments  |               | 73,791              | 2.1          | 70,107             | 2.0          |
| 1476 | Other financial assets - Current   | 4 and 8       | 75,343              | 2.2          | 72,750             | 2.1          |
| 1479 | Other current assets - Others  |               | 1,673               | —            | 1,750              | —            |
| 11xx | Total Current Assets   |               | <u>1,447,149</u>    | <u>42.0</u>  | <u>1,516,926</u>   | <u>43.5</u>  |
| 15xx | Non-current assets   |               |                     |              |                    |              |
| 1510 | Financial assets at fair value measurement through profit or loss -- Non-current | 4 and 6       | 914                 | —            | 914                | —            |
| 1550 | Investments accounted for using equity method                                    | 4 and 6       | 54,969              | 1.6          | 58,688             | 1.7          |
| 1600 | Property, plant and equipment  | 4, 5, 6 and 8 | 1,803,323           | 52.4         | 1,786,914          | 51.2         |
| 1755 | Right-of-use assets  | 4 and 6       | 30,943              | 0.9          | 26,537             | 0.8          |
| 1780 | Intangible assets  | 4 and 5       | 2,288               | 0.1          | 2,573              | 0.1          |
| 1840 | Deferred tax assets  | 4, 5 and 6    | 77,853              | 2.3          | 66,461             | 1.9          |
| 1980 | Other financial assets - Non-current   | 4 and 8       | 420                 | —            | 8,636              | 0.2          |
| 1990 | Other non-current assets   | 6             | 22,718              | 0.7          | 19,642             | 0.6          |
| 15xx | Total Non-Current Assets   |               | <u>1,993,428</u>    | <u>58.0</u>  | <u>1,970,365</u>   | <u>56.5</u>  |
|      | Total assets   |               | <u>\$ 3,440,577</u> | <u>100.0</u> | <u>\$3,487,291</u> | <u>100.0</u> |

(To be continued)

(Continued from the previous page)

## Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries

### Consolidated Balance Sheet

As of December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

| Code | Liabilities and equity<br>Description                     | Note       | December 31, 2023 |       | December 31, 2022 |       |
|------|---|------------|-------------------|-------|-------------------|-------|
|      |   |            | Amount            | %     | Amount            | %     |
| 21XX | Current liabilities                                       |            |                   |       |                   |       |
| 2100 | Short-term borrowings                                     | 6, 7 and 8 | \$ 335,599        | 9.7   | \$ 334,473        | 9.6   |
| 2130 | Contract liabilities - Current                            | 6          | 17,684            | 0.5   | 10,467            | 0.3   |
| 2150 | Notes payable   |            | 3,493             | 0.1   | 1,206             | —     |
| 2170 | Accounts payable  |            | 249,685           | 7.2   | 222,050           | 6.4   |
| 2200 | Other payables  | 6          | 126,046           | 3.7   | 158,451           | 4.5   |
| 2230 | Current tax liabilities                                   | 4 and 6    | —                 | —     | 266               | —     |
| 2250 | Provisions - Current                                      | 4 and 6    | 6,820             | 0.2   | 6,763             | 0.2   |
| 2280 | Lease liabilities - Current                               | 4 and 6    | 6,147             | 0.2   | 4,844             | 0.1   |
| 2322 | Long-term borrowings, current portion                     | 6, 7 and 8 | 60,918            | 1.8   | 100,340           | 2.9   |
| 2399 | Other current liabilities - Others                        |            | 8,894             | 0.3   | 3,138             | 0.1   |
| 21xx | Total Current Liabilities                                 |            | 815,286           | 23.7  | 841,998           | 24.1  |
| 25XX | Non-current liabilities                                   |            |                   |       |                   |       |
| 2540 | Non-current portion of non-current borrowings             | 6, 7 and 8 | 1,131,599         | 32.9  | 1,001,451         | 28.7  |
| 2570 | Deferred tax liabilities                                  | 4 and 6    | 18,130            | 0.5   | 18,130            | 0.5   |
| 2580 | Lease liabilities - Non-current                           | 4 and 6    | 24,683            | 0.7   | 21,414            | 0.6   |
| 2640 | Net defined benefit liability - Non-current               | 6          | 3,877             | 0.1   | 4,973             | 0.2   |
| 2645 | Guarantee deposits received                               |            | 3,432             | 0.1   | 3,432             | 0.1   |
| 25xx | Total Non-current Liabilities                             |            | 1,181,721         | 34.3  | 1,049,400         | 30.1  |
|      | Total Liabilities   |            | 1,997,007         | 58.0  | 1,891,398         | 54.2  |
| 31XX | Equity attributable to shareholders of the parent company |            |                   |       |                   |       |
| 3100 | Capital   | 6          | 1,111,573         | 32.3  | 1,111,573         | 30.2  |
| 3200 | Capital surplus   | 6          | 431,153           | 12.5  | 431,153           | 12.4  |
| 3300 | Retained earnings   | 6          |                   |       |                   |       |
| 3310 | Legal reserve   |            | 18,308            | 0.6   | 18,308            | 0.5   |
| 3320 | Special reserve   |            | 92,737            | 2.7   | 92,765            | 2.6   |
| 3350 | Unappropriated retained earnings (accumulated deficit)    |            | (204,022)         | (5.9) | (53,176)          | (1.5) |
| 3400 | Others  |            | (6,179)           | (0.2) | (4,730)           | (0.1) |
| 31xx | Total equity attributable to the parent company           |            | 1,443,570         | 42.0  | 1,595,893         | 45.8  |
|      | Total equity  |            | 1,443,570         | 42.0  | 1,595,893         | 45.8  |
|      | Total Liabilities and Equity                              |            | \$ 3,440,577      | 100.0 | \$ 3,487,291      | 100.0 |

(Please refer to the attached Notes to the Consolidated Financial Statements)

Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



# Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries

## Consolidated Statement of Comprehensive Income

2023 and 2022



(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | Description  | Note       | January 1 to December 31, 2023 |       | January 1 to December 31, 2022 |       |
|------|--|------------|--------------------------------|-------|--------------------------------|-------|
|      |  |            | Amount                         | %     | Amount                         | %     |
| 4000 | Net revenue  | 4, 6 and 7 | \$ 2,453,671                   | 100.0 | \$ 2,785,426                   | 100.0 |
| 5110 | Operating costs  | 6          | 2,372,858                      | 96.7  | 2,614,571                      | 93.9  |
| 5950 | Gross profit from operations   |            | 80,813                         | 3.3   | 170,855                        | 6.1   |
|      | Operating expenses   |            |                                |       |                                |       |
| 6100 | Sales and marketing expenses   |            | 115,578                        | 4.7   | 160,408                        | 5.8   |
| 6200 | Administrative expenses  |            | 72,343                         | 3.0   | 81,003                         | 2.9   |
| 6300 | Research and development expenses  |            | 47,508                         | 1.9   | 48,756                         | 1.7   |
| 6450 | Expected gain or loss on credit impairment   | 4 and 6    | (35)                           | —     | (174)                          | —     |
| 6000 | Total operating expenses   |            | 235,394                        | 9.6   | 289,993                        | 10.4  |
| 6900 | Net operating income (loss)  |            | (154,581)                      | (6.3) | (119,138)                      | (4.3) |
|      | Non-operating income and expenses  |            |                                |       |                                |       |
| 7100 | Interest income  |            | 6,671                          | 0.3   | 1,790                          | 0.1   |
| 7010 | Other income   | 6 and 7    | 19,766                         | 0.8   | 20,987                         | 0.8   |
| 7020 | Other benefits and losses  | 6          | 4,661                          | 0.2   | 60,998                         | 2.2   |
| 7050 | Finance costs  | 4 and 6    | (37,107)                       | (1.5) | (27,012)                       | (1.0) |
| 7060 | Share of the profit or loss of associates and joint ventures using the equity method                           | 4 and 6    | (2,270)                        | (0.1) | (1,837)                        | (0.1) |
| 7000 | Total non-operating income and expenses  |            | (8,279)                        | (0.3) | 54,926                         | 2.0   |
| 7900 | Profit before tax (net loss)   |            | (162,860)                      | (6.6) | (64,212)                       | (2.3) |
| 7950 | Tax expense (income)   | 6          | (11,511)                       | (0.5) | 2,532                          | 0.1   |
| 8200 | Profit (loss)  |            | (151,349)                      | (6.1) | (66,744)                       | (2.4) |
|      | Other comprehensive income:  |            |                                |       |                                |       |
|      | Items that will not be reclassified to profit or loss  |            |                                |       |                                |       |
| 8310 | Remeasurement of defined-benefit plans   |            | 594                            | —     | 16,952                         | 0.6   |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss |            | (119)                          | —     | (3,390)                        | (0.1) |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss                           |            |                                |       |                                |       |
| 8361 | Exchange differences arising on translation of foreign operations  |            | (1,449)                        | (0.1) | 4,004                          | 0.1   |
| 8300 | Other comprehensive income for the year (net)  |            | (974)                          | (0.1) | 17,566                         | 0.6   |
| 8500 | Total comprehensive income   |            | (152,323)                      | (6.2) | (49,178)                       | (1.8) |
|      | Earnings per Share (loss):   |            |                                |       |                                |       |
| 9750 | Basic earnings per share (loss)  | 6          | \$ (1.36)                      |       | \$ (0.60)                      |       |
| 9850 | Diluted earnings per share (loss)  |            | \$ (1.36)                      |       | \$ (0.60)                      |       |

(Please refer to the attached Notes to the Consolidated Financial Statements)

Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



**Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**January 1 to December 31, 2023 and 2022**

(In Thousands of New Taiwan Dollars)

| Description   | Equity attributable to shareholders of the parent company |                 |               |                 |  | Others                              |              | Total equity |
|---|---|-----------------|---------------|-----------------|--|-------------------------------------|--------------|--------------|
|   | Ordinary share  | Capital surplus | Legal reserve | Special reserve | Undistributed earnings (accumulated deficit) | Exchange differences on translation |              |              |
| Balance on January 1, 2022                          | \$ 1,111,573  | \$ 453,043      | \$ —          | \$ 17,269       | \$ 183,077                                   | \$ (8,734)                          | \$ 1,756,228 |              |
| Appropriation and distribution of retained earnings | —   | —               | —             | —               | —  | —                                   | —            |              |
| Legal reserve appropriated                          | —   | —               | 18,308        | —               | (18,308)                                     | —                                   | —            |              |
| Special reserve appropriated                        | —   | —               | —             | 75,502          | (75,502)                                     | —                                   | —            |              |
| Cash dividends of ordinary share                    | —   | —               | —             | —               | (89,267)                                     | —                                   | (89,267)     |              |
| Cash dividends paid from capital surplus            | —   | (21,890)        | —             | —               | —  | —                                   | (21,890)     |              |
| Reversal of special reserve                         | —   | —               | —             | (6)             | 6  | —                                   | —            |              |
| 2022 net income                                     | —   | —               | —             | —               | (66,744)                                     | —                                   | (66,744)     |              |
| 2022 other comprehensive income                     | —   | —               | —             | —               | 13,562                                       | 4,004                               | 17,566       |              |
| Balance on December 31, 2022                        | \$ 1,111,573  | \$ 431,153      | \$ 18,308     | \$ 92,765       | \$ (53,176)                                  | \$ (4,730)                          | \$ 1,595,893 |              |
| Reversal of special reserve                         | —   | —               | —             | (28)            | 28   | —                                   | —            |              |
| 2023 net income                                     | —   | —               | —             | —               | (151,349)                                    | —                                   | (151,349)    |              |
| 2023 other comprehensive income                     | —   | —               | —             | —               | 475  | (1,449)                             | (974)        |              |
| Balance on December 31, 2023                        | \$ 1,111,573  | \$ 431,153      | \$ 18,308     | \$ 92,737       | \$ (204,022)                                 | \$ (6,179)                          | \$ 1,443,570 |              |

(Please refer to the attached Notes to the Consolidated Financial Statements)



Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang

**Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries**  
**Consolidated Cash Flow Statement**  
**January 1 to December 31, 2023 and 2022**



(In Thousands of New Taiwan Dollars)

| Description  | January 1 to December 31, 2023 | January 1 to December 31, 2022 |
|--|--------------------------------|--------------------------------|
| Cash flow from operating activities:   |                                |                                |
| Profit (loss) before tax   | \$ (162,860)                   | \$ (64,212)                    |
| Adjustments:   |                                |                                |
| Adjustments to reconcile profit (loss) that do not affect cash flows                                   |                                |                                |
| Depreciation expense   | 185,733                        | 186,246                        |
| Amortization expense   | 22,034                         | 13,624                         |
| Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | (35)                           | (174)                          |
| Finance costs  | 37,107                         | 27,012                         |
| Interest income  | (6,671)                        | (1,790)                        |
| Net losses of financial assets at fair value measurement through profit or loss                        | -                              | (3,634)                        |
| Losses on disposals of property, plant and equipment (gains)   | 465                            | 555                            |
| Share of the profit or loss of associates and joint ventures using the equity method                   | 2,270                          | 1,837                          |
| Total adjustments  | 240,903                        | 223,676                        |
| Changes in operating assets and liabilities  |                                |                                |
| Changes in operating assets  |                                |                                |
| Decrease (increase) in notes receivable  | (12,599)                       | 90,901                         |
| Decrease (increase) in accounts receivable   | (12,291)                       | 44,628                         |
| Decrease (increase) in other receivable  | (4,081)                        | 51,556                         |
| Decrease (increase) in inventories   | 67,362                         | (64,364)                       |
| Decrease (increase) in prepayments   | (24,708)                       | (10,872)                       |
| Adjustments for decrease (increase) in other current assets  | 77                             | 2,885                          |
| Total changes in operating assets  | 13,760                         | 114,734                        |
| Changes in operating liabilities   |                                |                                |
| Contract liabilities - Current increase or decrease  | 7,217                          | 739                            |
| Increase (decrease) in notes payable   | 2,287                          | (471)                          |
| Increase (decrease) in accounts payable  | 27,635                         | (162,014)                      |
| Increase (decrease) in other payable   | (9,323)                        | (48,699)                       |
| Provisions - Current increase or decrease  | 57                             | (1,850)                        |
| Adjustments for increase (decrease) in other current liabilities                                       | 5,756                          | 1,433                          |
| Net defined benefit liability - Non-current increase or decrease                                       | (502)                          | (15,969)                       |
| Total changes in operating liabilities   | 33,127                         | (226,831)                      |
| Total changes in operating assets and liabilities  | 46,887                         | (112,097)                      |
| Cash inflow (outflow) generated from operations  | 124,930                        | 47,367                         |
| Interest received  | 6,420                          | 1,790                          |
| Interest paid  | (37,843)                       | (27,899)                       |
| Income tax refunded or paid  | (266)                          | (1,459)                        |
| Net cash flows from (used in) operating activities   | 93,241                         | 19,799                         |

(To be continued in the next page)

**Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries**  
**Consolidated Cash Flow Statement**  
**January 1 to December 31, 2023 and 2022**

(Continued from the previous page)

(In Thousands of New Taiwan Dollars)

| Description   | January 1 to December 31, 2023 | January 1 to December 31, 2022 |
|---|--------------------------------|--------------------------------|
| Cash flows from (used in) investing activities:                         |                                |                                |
| Acquisition of investments accounted for using equity method            | \$ —                           | \$ (2,812)                     |
| Proceeds from disposal of investments accounted for using equity method | —                              | —                              |
| Acquisition of property, plant and equipment                            | (220,307)                      | (228,382)                      |
| Proceeds from disposal of property, plant and equipment                 | 66                             | 512                            |
| Decrease (increase) in refundable deposits                              | (5,478)                        | (400)                          |
| Acquisition of intangible assets  | (423)                          | (384)                          |
| Other financial assets -- Current increase or decrease                  | (2,593)                        | (16,710)                       |
| Other financial assets - Non-current increase or decrease               | 8,216                          | 6                              |
| Decrease (increase) in other non-current assets                         | 2,100                          | 6,571                          |
| Net cash flows from (used in) investing activities                      | (218,419)                      | (241,599)                      |
| Cash flows from (used in) financing activities:                         |                                |                                |
| Increase (decrease) in short-term loans                                 | 1,126                          | 246,936                        |
| Repayments of bonds   | —                              | (300,000)                      |
| Increase (decrease) in non-current portion of non-current borrowings    | 91,462                         | 321,324                        |
| Cash dividends paid   | —                              | (111,157)                      |
| Increase or decrease in principal of lease liabilities                  | (5,282)                        | (74,383)                       |
| Net cash flows from (used in) financing activities                      | 87,306                         | 82,720                         |
| Increase (decrease) in cash and cash equivalents for the current period | (37,872)                       | (139,080)                      |
| Cash and cash equivalents at beginning of period                        | 225,398                        | 364,478                        |
| Cash and cash equivalents at end of period                              | \$ 187,526                     | \$ 225,398                     |

(Please refer to the attached Notes to the Consolidated Financial Statements)

Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



Acelon Chemicals & Fiber Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statements  
2023 and 2022

(In Thousands of New Taiwan Dollars)  
(Unless otherwise specified)

I. Company history

Acelon Chemicals & Fiber Corporation (referred to as the Company) was established in July 1988, and the main business activities are production and sales of chemical fibers for weaving. The Company was approved by the Securities and Futures Commission of the Ministry of Finance on August 18, 1992 for retroactive handling of public offering, and was officially listed on April 4, 1998 with the approval of the Taiwan Stock Exchange. The combined company added medical materials and equipment manufacturing and sales to its line of business in 2020.

II. Date and procedures for approving the financial report

The accompanying consolidated financial statements were approved and authorized for issuance by the board of directors on March 15, 2024.

III. Application of New and Revised International Financial Reporting Standards

(I) The Company has adopted the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations recognized and announced effective by the Financial Supervisory Commission (hereinafter referred to as the "FSC"), and the relevant newly released, revised and amended standards and interpretations are listed as follows:

| New standards, interpretations and revisions  | Effective date announced<br>by IASB |
|---|-------------------------------------|
| Amendment to IAS 1 - "Disclosure of Accounting Policies"  | January 1, 2023                     |
| Amendment to IAS 8 - "Definition of Accounting Estimates"   | January 1, 2023                     |
| Amendment to IAS12 - "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023                     |
| Amendment to IAS12-"International Tax Reform -Pillar Two Model Rules"                                   | May 23, 2023                        |

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no material impact on the Company.

(II) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company

| New standards, interpretations and revisions                                 | Effective date announced<br>by IASB |
|--|-------------------------------------|
| Amendment to IFRS 16 - " Lease Liability in a Sale and Leaseback "           | January 1, 2024                     |
| Amendment to IAS 1-"Classification of Liabilities as Current or Non-current" | January 1, 2024                     |
| Amendment to IAS 1 - " Non-current Liabilities with Covenants"               | January 1, 2024                     |
| Amendment to IFRS 7 and IAS 7 -"Supplier Finance Arrangements"               | January 1, 2024                     |

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no material impact on the Company.

(III) IFRSs issued by the IASB but not yet recognized by the FSC:

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:



| New standards, interpretations and revisions   | Effective date announced<br>by IASB |
|--|-------------------------------------|
| IFRS 10 and IAS 28 amendments, "Sale or contribution of assets between an investor and its associate or joint venture" | To be determined by the IASB        |
| IFRS 17 - "Insurance contracts"  | January 1, 2023                     |
| Amendment to IFRS 17 - "Insurance contracts"   | January 1, 2023                     |
| Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 -- Comparative Information"                            | January 1, 2023                     |
| Amendment to IFRS 21 " Lack of Exchangeability"  | January 1, 2025                     |

As of the release date of the consolidated financial report, the Company has been evaluating the impact of the amendments to the above (II) and (III) standards and interpretations on the financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise specified, the following accounting policies apply consistently throughout the year presented in the consolidated financial report.

##### (I) Compliance statement

The consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards endorsed and issued into effect by the Financial Supervisory Commission.

##### (II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost convention, except for financial instruments that are measured at fair value. Historical cost is generally determined based on the fair value of the consideration paid for the acquired assets.

##### (III) Functional and presentation currency

The consolidated financial statements are presented in New Taiwan dollars, which is the Company and its subsidiaries' functional currency. All financial information is expressed in thousands of New Taiwan Dollars unless otherwise stated.

##### (IV) Classification of current and non-current asset and liability items

Current assets are assets that are held for trading and are expected to be realized in cash or used up within a year. Assets that are not current assets are non-current assets. Current liabilities include liabilities held for trading and those that are expected to be settled within twelve months after the reporting period. Liabilities that are not current liabilities are non-current liabilities.

1. Assets that meet one of the following criteria are classified as current assets, and those that are not current assets are non-current assets:

- (1) Assets that are generated by the enterprise due to its business operations, and are expected to be realized or consumed or intended to be sold during the normal operating cycle of the enterprise.
- (2) Assets held primarily for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

2. Liabilities that meet one of the following criteria are classified as current liabilities, and those that are not current liabilities are non-current liabilities:

- (1) Liabilities that are generated by the enterprise due to its business operations, and are expected to be paid off within the normal operating cycle.
- (2) Those that are held primarily for the purpose of being traded.
- (3) Liabilities that are to be settled within twelve months from the balance sheet date.
- (4) Liabilities for which the settlement date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(V) Foreign currency transactions

Items included in the consolidated financial report of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entities operates (the functional currency). The consolidated financial statements are presented in New Taiwan dollars.

When preparing the separate financial statement of each entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognized at the exchange rate on the transaction date. At the end of the reporting period, foreign currency monetary items are retranslated at the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be retranslated using the exchange rates at the date when the fair value was measured. Non-monetary items measured at historical cost in a foreign currency shall be retranslated. Exchange differences are recognized in profit or loss in the period in which they occur.

(VI) Basis of consolidation

1. The basis for preparation of consolidated financial statements is as follows:

The subject of this consolidated financial report includes the financial reports of the Company and entities controlled by the Company (ie subsidiaries).

The consolidated statement of comprehensive income has properly included the operating profit and loss of the acquired or disposed subsidiaries in the current year from the effective date of acquisition or to the effective date of disposal. The comprehensive income of subsidiaries also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

Significant transactions, balances, gains and losses between the merged entities of the Company have all been eliminated at the time of consolidation.

Changes in the Company's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. The carrying amounts have been adjusted to reflect changes in the relative interests of the Company and non-controlling interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of

the consideration paid or received is directly recognized in equity and attributed to the owners of the Company.

2.Subsidiaries included in the consolidated financial statements:

| Name of Investor | company name                               | Main businesses  | Ownership (%) |            | Explanation |
|------------------|--|--|---------------|------------|-------------|
|                  |  |  | 2023.12.31    | 2022.12.31 |             |
| The Company      | Acegreen Eco-Material Technology Co., Ltd. | Manufacturing and sales of non-woven fabrics and man-made fibers | 100%          | 100%       | —           |
| The Company      | Acenature Biotechnology Co., Ltd.          | Manufacturing and sales of non-woven fabrics and man-made fibers | 100%          | 100%       | —           |

3.Subsidiaries not included in the consolidated financial report: None.

(VII)Cash and cash equivalents

Cash includes unrestricted currency and bank deposits. Cash equivalents refer to short-term and highly liquid time deposits or investments near maturity that can be converted into fixed amounts of cash at any time, with changes in interest rates having little impact on their value.

(VIII)Financial instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets (other than receivables that do not contain a significant financing component) or financial liabilities measured at fair value not through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Accounts receivable that do not contain significant financing components are initially measured at transaction prices.

1.Financial assets

The consolidated company's financial assets are classified into financial assets measured at amortised cost; financial assets measured at fair value measurement through other comprehensive income; and financial assets measured at fair value measurement through profit or loss.

Only when we change the business model for managing financial assets, will we reclassify all affected financial assets in accordance with regulations.

(1)Financial assets measured at amortised cost

When a financial asset meets the following criteria at the same time and is not measured designation as at fair value through profit or loss, it is measured at amortised cost:

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

At initial recognition, it is measured at fair value plus directly attributable transaction costs. Subsequent measurement at amortised cost less impairment losses adopt the effective yield approach. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. The cumulative gain or loss is recognized in profit or loss at derecognition.

(2)Financial assets at fair value measurement through other comprehensive income

Debt instrument investments that meet the following criteria at the same time and are not designation as at fair value through profit or loss, are measured at fair value measurement through other comprehensive income:

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

The Company can conduct an irrevocable election at the time of initial recognition to report the subsequent fair value changes of equity investments that are not held for trading in other comprehensive income. The aforementioned elections are made on an instrument-by-instrument basis.

At initial recognition, it is measured at fair value plus directly attributable transaction costs. Subsequent measurement is at fair value, excluding exchange losses from debt instrument, interest income and impairment loss using the effective interest rate method and dividend income from equity instrument investment (unless the dividends clearly represent part of the recovery of investment costs), and changes in the remaining carrying amount are recognized in other comprehensive income, and accumulated in unrealized gains or losses on financial assets measured at fair value measurement through other comprehensive income under equity. At the time of derecognition, if it is a debt instrument, the cumulative amount of gains or losses under the equity item shall be reclassified to profit or loss; if it is an equity instrument, the cumulative amount of gains or losses under the equity item shall be reclassified as retained earnings, not reclassified to profit or loss.

### (3) Financial assets at fair value measurement through profit or loss

Financial assets that are not measured at amortised cost or at fair value measurement through other comprehensive income as described above are measured at fair value measurement through profit or loss, including derivatives. In order to eliminate or significantly reduce accounting mismatches at initial recognition, the Company may irrevocably designate financial assets that meet the criteria of being measured at amortised cost or at fair value measurement through other comprehensive profit and loss as at fair value measurement through profit or loss.

These assets are subsequently measured at fair value and the net gain or loss (including any dividend and interest income) is recognized in profit or loss.

Dividend income from equity investment is recognized on the date when the Company is entitled to receive the dividend (usually the ex-dividend date).

### (4) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on financial assets measured at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, etc.).

The loss allowance of the following financial assets are measured by the 12-month expected credit losses amount, and the rest are measured by the full lifetime expected credit losses (for example, the allowance loss of accounts receivable is measured by the full lifetime expected credit loss).

The credit risk of bank deposits (that is, the risk of default during the expected lifetime of the financial instrument) has not increased significantly since the initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the expected credit losses that result from all possible default events of a financial instrument within 12 months after the reporting date (or a shorter period, if the expected life of the financial instrument is shorter than 12 months).

The maximum period over which expected credit losses should be measured is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk has increased significantly after the initial recognition, the Company considers reasonable and supportable information (obtainable without undue cost or investment), including qualitative and quantitative information, the Company's historical experience, and analysis of credit ratings and forward-looking information.

If the contract payment is overdue for more than 60 days, the Company assumes that the credit risk of the financial asset has increased significantly.

If the contract payment is overdue for more than 180 days, or that the borrower is unlikely to fulfill the credit obligations and pay the full amount to the Company, we consider the financial asset to be in default.

Expected credit losses are a probability-weighted estimate of credit loss over the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The Company assesses whether financial assets measured at amortised cost and debt securities measured at fair value measurement through other comprehensive income are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulties of the borrower or issuer;
- (b) A breach of contract, such as a default or past due event for more than 180 days;
- (c) We, for economic or contractual reasons relating to the borrower's financial difficulty, have granted to the borrower a concession that we would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

Loss allowance for financial assets at amortised cost is deducted from the carrying amount of the assets. Loss allowance for debt instruments at fair value measurement through other comprehensive income is recognized in other comprehensive income (without reducing the carrying

amount of the assets), and the amount of loss allowance or reversal is recognized in profit or loss.

When the Company has no reasonable expectation of recovery of all or part of the financial assets, it will directly reduce the gross carrying amount of such financial assets. It generally means that the Company determines that the debtor's assets or sources of income cannot generate sufficient cash flows to repay the written-off amount. However, the written-off financial assets can still be enforced to comply with the Company's procedures for recovering overdue amounts.

#### (5)De-recognition of financial assets

The Company derecognizes the financial asset for the termination of the contractual rights to the cash flows from the financial asset, or the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to other enterprises.

When a single debt instrument is derecognized in its entirety, the difference between its carrying amount and the total amount of consideration received or receivable recognized in other comprehensive income and accumulated in "Other equities - Unrealized gains or losses from financial assets measured at fair value measurement through other comprehensive income" is recognized as profit or loss, and reported as a comprehensive income item under non-operating income and expenses.

When not derecognizing the entirety of a single debt instrument, the Company, on the basis of the relative fair value of each part on the date of transfer, allocates the initial carrying amount of the financial asset to the part that is continuously recognized due to continuous participation and the part that is derecognized. The difference between the carrying amount allocated to the derecognized portion and the sum of any cumulative gain or loss allocated to the derecognized portion in addition to the consideration received for the derecognized portion that has been recognized in other comprehensive income is recognized in profit or loss and reported as a comprehensive item under non-operating income and expenses. The cumulative gains or losses that have been recognized in other comprehensive income are allocated between the part that continues to be recognized and the part that is derecognized based on their relative fair values.

#### (IX)Financial liabilities and equity instruments

##### 1.Classification of financial liabilities or equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definitions of financial liabilities and equity instruments.

##### 2.Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount after deducting direct issuance costs from the obtained proceeds.

### 3. Financial liabilities

Financial liabilities are subsequently measured at amortised cost, cost or fair value.

#### (1) Financial liabilities at fair value measurement through profit or loss

Financial liabilities that are held for trading or designated at fair value measurement through profit or loss are classified as financial liabilities at fair value measurement through profit or loss.

Financial liabilities at fair value measurement through profit or loss are measured at fair value, with any gain or loss on remeasurement recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability, which is reported in the consolidated comprehensive income under "gains from financial liabilities at fair value measurement through profit or loss" or "losses in financial liabilities at fair value measurement through profit or loss".

If the financial liabilities measured at fair value measurement through profit or loss are "an obligation to sell a borrowed unquoted equity investment whose fair value cannot be reliably measured and which must be delivered" or "a derivative linked to an unquoted equity investment whose fair value cannot be reliably measured and is delivered with the equity instrument", it is measured at cost on the reporting date and listed in the "Financial liabilities measured at cost".

The gains or losses of financial guarantee contracts and loan commitments issued by the Company and designated as fair value measurement through profit or loss are recognized in profit or loss.

#### (2) Financial assets measured at amortised cost

Financial liabilities that are not held for trading and not designated at fair value measurement through profit or loss are measured at amortised cost at the end of the subsequent reporting period. The carrying amount of financial liabilities measured at amortised cost is determined using the effective interest method. Interest expense not capitalized in the cost of the asset is presented in "Finance costs".

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant periods. The effective interest rate refers to the discounting of the estimated future cash payment amount (including the service fee paid or received as an integral part of the effective interest rate and interest rate spread, transaction costs and other premiums and discounts) during the expected lifetime of the financial instrument or an appropriate shorter period, which is exactly equal to the interest rate on the net carrying amount at the time of initial recognition.

### 4. De-recognition of financial liabilities

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

(X)Derivative financial instruments

The Company enters into derivative financial instruments such as forward exchange, cross-currency swap and interest rate swap contracts to manage related exchange rate and interest rate risks.

Derivative financial instruments are initially recognized at fair value, and are subsequently re-measured at fair value at the end of each reporting period. The gains or losses resulting from the subsequent measurement are directly listed in profit or loss, and are designated as effective hedging tools. The timing of recognition of derivatives in profit or loss depends on the nature of the hedging relationship. When the fair value of derivative financial instruments is positive, it is listed as a financial asset; when the fair value is negative, it is listed as a financial liability.

Changes in the fair value of hedging instruments designated and in line with fair value hedging, and changes in the fair value of the hedged items attributable to hedged risk are recognized immediately in profit or loss.

For derivative financial instruments designated and eligible for cash flow hedging, the fair value changes as part of the effective hedging are recognized in other comprehensive income and cumulatively listed as cash flow hedging reserves of other equity items. When the hedged item is recognized in profit or loss, the amount initially recognized in other comprehensive income and cumulatively included in the cash flow hedging reserve will be reclassified to profit or loss, and will be included in the consolidated comprehensive income statement together with the recognized hedged items.

(XI)Inventory

The initial cost of inventory refers to the necessary expenditures for making the inventory ready for sale or production. Among them, the fixed production overheads is allocated to finished products and work-in-progress according to the normal production capacity of the production equipment, while the variable manufacturing cost is based on the actual reduction as the basis for allocation. If the actual production capacity is not significantly different from the normal production capacity, the fixed production overheads shall be allocated according to the actual output. If the actual output is abnormally higher than the normal production capacity, the fixed production overheads shall be allocated based on the actual production capacity. Subsequently, we measure each item by the lower of cost and the net realisable value. The cost is calculated using the weighted average method, and the net realisable value is calculated by subtracting the cost and selling expenses required to complete the projects from the estimated selling price under normal business conditions on the balance sheet date.

(XII)Investments accounted for using equity method

Investments accounted for using equity method include investments in associates and joint ventures



Associates are enterprises over which the Company has significant influence, but are not subsidiaries or interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

A joint venture means that the Company and other entities engage in economic activities under joint control through contractual arrangement, which means that strategic financial and operational decisions related to the joint venture must reach the unanimous consensus of the shared controllers. If another entity is established in accordance with the joint venture agreement, each venturer has the rights and interests in the entity, and the entity is a jointly controlled entity.

Except for assets classified as held for sale, the operating results and assets and liabilities of associates and joint ventures are included in the parent-only financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognized at a cost in the parent-only balance sheet, and is subsequently adjusted according to changes in the Company's share of the investee's net assets. When the Company's share of losses in associates and joint ventures exceeds its equity in the associates, it shall only recognize additional losses within the scope of legal obligations or constructive obligations incurred, or having to have made payments on behalf of associates.

The portion of the acquisition cost exceeding the Company's share of the net fair value of the identifiable assets and liabilities of the associates or joint ventures on the date of acquisition is goodwill, which is included in the carrying amount of the investment. If the share of the net fair value of the identifiable assets and liabilities of the associates or joint ventures on the date of acquisition exceeds the acquisition cost, the portion is recognized as income immediately after reassessment.

When assessing impairment, we regard the overall carrying amount (including goodwill) as a single asset, and compare the recoverable amount (the higher of the value in use or the fair value less costs to sell) with the carrying amount for an impairment test. The recognized impairment loss is included in the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

In the event the Company does not subscribe to the new shares issued by an associate or joint ventures in accordance with the shareholding percentage, which results in a change in shareholding and an increase or decrease in the net equity value of the investment, the increase or decrease shall be adjusted using the capital surplus and investments accounted for using equity method. If the ownership interest in the associate is reduced by not subscribing to or obtaining shares according to the shareholding percentage, the amount recognized in other comprehensive income related to the associate will be reclassified according to the reduction percentage, and the basis of accounting record is the same as the one followed by the associate in directly disposing of the relevant assets or liabilities.

When there are transactions between an entity and associates and joint ventures, the unrealized gains and losses are eliminated according to their proportion during consolidation.

#### (XIII)Property, plant and equipment

Property, plant and equipment are recognized on the basis of acquisition cost, and are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises expenditures that are directly attributable to the acquisition of the asset. The cost of

a self-constructed asset includes raw materials and direct labour, any other directly attributable costs of bringing the asset to a usable condition for its intended use, and costs of dismantling and relocation and restoration to the original location. The aforementioned costs include renovation costs for replacing part of the plant and equipment and necessary interest expenses arising from the construction contract.

Property under construction is reported at cost less any recognized impairment losses. (Cost includes professional services fees). When such real property is completed and ready for intended use, it is classified into the appropriate category of property, plant and equipment. The depreciation basis of these assets is the same as that of other real property assets, which starts to be recognized when the assets are ready for their intended use.

Self-owned land does not recognize depreciation.

When a material component of property, plant and equipment needs to be replaced periodically, the Company treats the component as an individual asset and recognizes it as depreciation with a specific useful life and depreciation method. If material overhaul costs meet the recognition criteria, they are regarded as replacement costs and recognized as part of the carrying amount of property, plant and equipment. Other repair and maintenance expenses are recognized in profit or loss. With respect to the present value of the expected decommissioning costs after the asset is used, if it meets the recognition criteria of the provision, it will be included in the cost of the relevant asset.

If the cost of each component of property, plant and equipment is significant relative to the total cost of the item, each component is depreciated separately and treated as a separate item (material component) of property, plant and equipment.

An item of property, plant and equipment or any major component that is disposed of after initial recognition will be derecognized and then recognized in profit or loss if it is disposed of or when no future economic benefits are expected from its use or disposal. Depreciation is recognized in profit or loss over the estimated useful life of each component of an item of property, plant and equipment on a straight-line basis as it best reflects the expected pattern of consumption of the asset's future economic effects.

Depreciation is accrued based on the following estimated useful life:

|                          |               |
|--------------------------|---------------|
| Buildings and structures | 2 to 50 years |
| Machinery and equipment  | 1 to 15 years |
| Transportation equipment | 5 to 10 years |
| Office equipment         | 3 to 10 years |
| Leasehold improvements   | 5 to 10 years |
| Other equipment          | 1 to 25 years |

Depreciation adopts the straight-line method to write off the cost less the residual value of the asset over its useful life. Estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, and the effect of any change in estimate is treated on a deferred basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains or losses arising from the disposal or retirement of real property, plant and equipment are recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

## (XIV)Leases

### 1.Judgment on lease

The Company assesses whether the contract is or contains a lease on the date of establishment of the contract. If the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration, the contract is or contains a lease. In order to assess whether the contract is a lease, we evaluate the following items:

- (1)The contract involves the use of an identified asset that is physically distinct or represents substantially all capacity, either explicitly designated in the contract or implicitly designated by virtue of being available for use. An asset is not an identified asset if the supplier has a substantive right to substitute it; and
- (2)has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- (3)obtain the right to direct the use of identified assets when one of the following conditions is met:
  - The customer has the right to direct the use method and purpose of use of the identified assets throughout the period of use.
  - The relevant decisions about how and for what purpose the asset is used are predetermined; and
    - The customer has the right to operate the asset throughout the period of use without the supplier having the right to change those operating instructions; or
    - The way in which the customer has designed the asset predetermines how and for what purpose it will be used throughout its period of use.

On the inception date of the lease or when reassessing whether the contract includes the lease, the Company allocates the consideration in the contract to the separate lease components on the basis of relative standalone prices. However, when leasing land and buildings, the Company chooses not to distinguish between non-lease components and lease components, and instead treats them as a single lease component.

### 2.Lessee

The Company recognizes the right-of-use asset and lease liability on the lease inception date. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, adjusting any lease payments made on or before the lease inception date, and adding all initial direct costs incurred and estimated costs of dismantling, removing and restoring the site or the underlying asset, less any lease incentives received.

The right-of-use asset recognized on a straight-line basis is depreciated from the inception of the lease date to the earlier of the end of the asset's service life or the end of the lease term. In addition, we regularly assess whether the right-of-use asset is impaired and handle any impairment loss that has occurred, and adjust the right-of-use asset in response to the remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date. If the implicit interest rate of the lease is easy to determine, the discount rate will be the interest rate; if it is not easy to determine, the incremental borrowing rate will be used. Generally speaking, we use our incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or rate, which uses the index or rate on the lease commencement date for the initial measurement;
- (3) Amounts expected to be payable under residual value guarantees; and
- (4) The exercise price of a purchase option or lease termination option reasonably certain to be exercised or the payment for the termination penalty.

The lease liability subsequently accrues interest using the effective interest method, and its amount is remeasured when the following situations occur:

- (1) Changes in the index or rate used to determine lease payments lead to changes in future lease payments;
- (2) Changes in the amounts expected to be payable under residual value guarantees;
- (3) Changes in the valuation of the underlying asset purchase option;
- (4) Changes in the assessment of whether to exercise the extension or termination option, which changes the assessment of the lease period;
- (5) Modification of the underlying asset, scope or other terms of the lease.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, we choose not to recognize the right-of-use assets and lease liabilities, but recognizes the relevant lease payments as expenses during the lease period on a straight-line basis.

### 3.Lessor

The transaction in which the Company is the lessor is to classify the lease contract on the date of establishment of the lease according to whether it substantially transfers all the risks and rewards attached to the ownership of the underlying asset. If so, it is classified as a finance lease. Otherwise, it is classified as an operating lease. We consider relevant specific indicators including whether the lease period covers the major part of the economic life of the underlying asset in our assessment.

If we are a sublease lessor, we handle master lease and sublease transactions separately, and evaluate the classification of sublease transactions based on the right-of-use assets generated by the master lease. If the master lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the agreement contains lease and non-lease components, we apply the requirements of IFRS 15 to allocate the consideration in the contract.

Assets held under finance leases are expressed as finance lease receivables at the amount equal to the net investment in a lease. Initial direct costs arising from the negotiation and arrangement of operating leases are included in the net lease investment. The net lease investment is in a pattern that can reflect a constant periodic rate of return in each period, and is apportioned and recognized as interest income during the lease period. For operating leases, the Company adopts a straight-line basis to recognize the lease payments received as rental income during the lease period.

(XV)Investment property

The property held by the Company can only be classified as investment property if it is used to earn long-term rent or capital appreciation or both. Investment property refers to land that is leased out.

The subsequent measurement of the Company's investment property adopts the cost model, and the land is not depreciated.

(XVI)Intangible assets

1.Recognition and measurement

Expenditure related to research activities is recognized in profit or loss as incurred.

Development expenditure is only capitalized when the technological or commercial feasibility of reliably measured products or processes has been achieved, bringing future economic benefits to the Company, and the Company intends and has sufficient resources to complete such development and uses or sells the asset. Other development expenditures are recognized in profit or loss as incurred. After initial recognition, capitalized development expenditures are measured at their cost less accumulated amortization and impairment losses.

Other intangible assets with limited useful lives, such as patents, computer software, etc., acquired by the Company are measured at the cost minus accumulated amortization and impairment.

2.Subsequent expenditure

Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the related specific assets. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and branding.

3.Amortization

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its projected useful life.

The projected useful lives for the current and comparative periods are as follows:

|                   |                |
|-------------------|----------------|
| Patents           | 10 to 18 years |
| Computer software | 1 to 3 years   |

The Company reviews the amortization method, useful life and residual value of intangible assets, and makes appropriate adjustments when necessary.

(XVII)Impairment of non-financial assets

For inventories, deferred income tax assets, assets arising from employee benefits, non-current assets classified as held for sale, and non-financial assets other than biological assets, the Company

assesses whether impairment has occurred at the end of each reporting period, and estimates the recoverable amount if there are indications of impairment. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount is then adjusted to the recoverable amount, and an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period.

The Company reassesses at the end of each reporting period whether there is any indication that impairment losses recognized in prior years for non-financial assets other than goodwill may have ceased to exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not more than the carrying amount after the recognized depreciation or amortization being deducted from the asset or cash-generating unit unrecognised the impairment loss the previous years.

For the purpose of impairment testing, goodwill acquired by an enterprise should be allocated to each cash-generating unit (or group of cash-generating units) of the company that is expected to benefit from synergy. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is firstly used to reduce the carrying amount of goodwill already allocated to the cash-generating unit, and, secondly, allocated in proportion to the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

#### (XVIII)Provisions

When the Company has a present obligation (legal or constructive obligation) due to past events, and is very likely to have to pay off the obligation, and can reliably estimate the amount of the obligation, the provision is recognized.

The amount recognized as a provision is the best estimate of the expenditures required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the provision is measured by the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (XIX)Revenue from contracts with customers

Revenue is measured by the consideration to which the goods are transferred and to which they are expected to be entitled. The Company recognizes revenue when control of the goods is transferred to the

customer and performance obligations are satisfied.

#### 1. Selling goods

The Company recognizes revenue when control of the goods is transferred to the customer. The transfer of control of the products means that the products have been delivered to the customer and there are no outstanding obligations that would affect the customer's acceptance of the products. Delivery is the cut-off point at which the customer has accepted the products in accordance with the transaction terms, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all acceptance criteria have been met.

The Company recognizes accounts receivable when the goods are delivered, because the Company has the unconditional right to the consideration at that point.

#### 2. Financial components

The Company expects that the time interval between the time of transferring the goods to the customer and the time when the customer pays for the goods will not exceed one year, so the Company has not adjusted the time value of money of the transaction price.

### (XX) Employee welfare

#### 1. Pensions

##### (1) Defined contribution plans

In the case of a defined contribution of retirement benefit plan, the amount that should be appropriated is recognized as current expenses during the employee's service tenure. For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

##### (2) Defined benefit plans

Net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets and unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date). Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. If the past service cost is immediately vested, the relevant expenses shall be recognized as profit or loss immediately; if it is not immediately vested, the relevant expenses shall be recognized as profit or loss during the average vesting period using the straight-line method.

The calculation of pension cost during the interim period adopts the pension cost rate determined by actuarial calculations at the end of the previous financial year, and is based on the beginning of the year to the end of the current period. If there are material market changes and

material reductions, liquidation or other material one-off events after the end date, adjustments shall be made and relevant information shall be disclosed in accordance with the abovementioned policies.

## 2. Short-term employee benefits

Liabilities related to short-term employee benefits are measured on a non-discounted cash basis of expected payments in exchange for employee services.

Regarding the amount expected to be paid with the short-term cash bonus or bonus plan, if the Company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

## 3. Remuneration for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts resolved by the board meeting and the subsequent actual distributed amounts is accounted for as changes in estimates.

### (XXI)Government grants

When the Company can receive related government grants, it will recognize the unconditional grants as other income. For other grants related to assets, the Company recognizes them as deferred income at fair value if it can be reasonably sure that the conditions attached to the government grants will be met and the grants will be received, and the deferred income is recognized as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the Company are recognized in profit or loss on a systematic basis and related expenses are recognized at the same time.

### (XXII)Finance costs

Finance costs include interest expenses arising from borrowings and discounted amortization of provisions.

### (XXIII)Income tax

Income tax expense is the sum of current income tax and deferred income tax. The Company determines that the interests or fines related to income tax (including uncertain tax treatment) do not meet the definition of income tax, so the accounting record of International Accounting Standard No. 37 is applicable.

#### 1.Current income tax

Current income tax is based on the taxable income of the current year. Since some income and expense losses are taxable or deductible items in other years, or are not taxable or deductible items according to relevant tax laws, the taxable income is different from the net profit reported in the parent-only comprehensive income statement. The Company calculates current income tax at the tax rates that have been legislated or substantively legislated as of the balance sheet date.

The undistributed earnings calculated in accordance with the provisions of the Income Tax Act are subject to a 5% income tax as the income tax expense for the year in which the income occurs and



related liabilities are estimated and measured at the tax rate of the undistributed earnings. On the resolution date of the next year's shareholder meeting, if the amount changes due to the resolved distribution, it will be treated as a change in accounting estimate, and will be adjusted and recorded in the year of the resolution of the shareholder meeting.

## 2. Deferred income tax

Deferred tax expenses are calculated and recognized based on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax liabilities are generally recognized for all future taxable temporary differences; deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. If the temporary difference is caused by the initial recognition of other assets and liabilities (excluding business combination), and the transaction does not affect taxable profit or accounting profit at the time, it is not recognized as deferred income tax assets and liabilities.

Taxable temporary differences related to investment in subsidiaries, associates and interests in joint ventures are all recognized as deferred income tax liabilities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences related to such investments and interests are only recognized when it is very probable that there will be sufficient taxable income to realize the benefits of the temporary differences and are in the scope of reversal in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Those unrecognised as deferred income tax assets are also reviewed at the end of each reporting period, and for those that are likely to generate taxable income for recovering all or part of the assets in the future, the carrying amount is increased.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the liability is settled or asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax effect of the method in which a company expects to recover or pay off the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred income tax assets and liabilities can only be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income tax is from the same taxable entity and related to income taxes levied by the same taxation authority.

## 3. Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, except for the current and deferred income taxes related to items recognized in other comprehensive incomes or directly in equity, in which case, they are also recognized in other comprehensive income or directly in equity, respectively.

(XXIV) Earnings per common share

Earnings per common share are calculated by dividing net profit for the period by the weighted average number of outstanding common shares. The number of shares for cash capital increase is calculated by the weighted average method based on the number of common shares issued (base date for capital increase); however, the number of shares for the capital increase from retained earnings and capital surplus is calculated retrospectively.

(XXV) Disclosure of operating segments' information

Operating segments are a component of the Company that engages in operating activities that may generate income and incur expenses (including revenues and expenses arising from transactions with other components within the Company). The operating results of all operating segments are regularly reviewed by the Company's chief operating decision-maker, who makes decisions on allocating resources to segments and evaluating the performance. Separate financial information is available for each operating segment.

(XXVI) Comparative Information

Unless otherwise permitted or required by the International Financial Reporting Standards, the current financial report shall have comparative information from prior periods disclosed. When there is a change in accounting policy or reclassification, the comparative information should be adjusted for comparison with the financial information of the current period.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When adopting accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for relevant information that is not easy to obtain from other sources. Actual results may differ from estimates.

In preparing this consolidated financial report, the management must make judgements, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The following are other key sources of information on key assumptions concerning the future and estimation uncertainty at the reporting date. The assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Company's assumptions about the rate of default and expected loss ratio. The Company considers historical experience, current market conditions and forward-looking information to formulate assumptions and select inputs for impairment assessments. If the actual future cash flow is less than expected, significant impairment losses may occur.

(II) Inventory valuation

As the inventory is measured based on the lower of cost and net realisable value, the Company must use judgment and estimation to determine the net realisable value of the inventory at the end of the financial reporting period.

Due to the rapid changes in technology, the Company has to assess the wear and tear, obsolescence and market value of inventory the end of the financial reporting period, and write down the inventory cost to the net realisable value. The inventory valuation is mainly based on the estimated demand in a specific period in the future, so significant changes may occur.

(III) Impairment assessment of tangible assets and intangible assets (excluding goodwill)

To assess assets for impairment, the Company needs to rely on subjective judgments and determine the independent cash flow of specific asset groups, the useful life of assets and the possible future income and expenses based on the asset use models and the characteristics of the construction industry. Changes in circumstances or changes in estimates brought about by corporate strategy may result in material impairment in the future.

(IV) Realizability of deferred tax assets

Deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. When assessing the realizability of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including assumptions such as expected future revenue growth and profit margins, available income tax deductions, and tax planning. Any changes in the global economic environment, industry environment, and laws and regulations may cause material adjustments to deferred income tax assets.

(V) Net defined benefit liability -- Non-current calculation

When calculating the present value of a defined benefit obligation, the Company must use judgment and estimation to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and the expected return rate of plan assets. Any change in actuarial assumptions may significantly affect the amount of the Company's defined benefit obligations.

VI. Contents of significant accounts

(I) Cash and cash equivalents

|                                      | 2023.12.31 | 2022.12.31 |
|--------------------------------------|------------|------------|
| Cash                                 |            |            |
| Cash on hand and petty cash          | \$ 280     | \$ 280     |
| Checking account deposits            | 672        | 483        |
| Demand and foreign currency deposits | 125,064    | 224,635    |
| Cash equivalents                     |            |            |
| Repurchase agreement                 | 61,510     |            |
|                                      | \$ 187,526 | \$ 225,398 |

As of December 31, 2023, the foreign currency amount equivalent to cash and cash equivalents is USD 2,000 thousand, with an agreed interest rate of 5.4%.

(II) Notes and accounts receivable / Overdue receivables

|   | 2023.12.31        | 2022.12.31        |
|---|-------------------|-------------------|
| Notes receivable –<br>Measured at amortised cost    | \$ 71,087         | \$ 58,488         |
| Less: Allowance for bad debts                       | ( 729 )           | ( 729 )           |
|   | <u>\$ 70,358</u>  | <u>\$ 57,759</u>  |
| Accounts receivable –<br>Measured at amortised cost | \$ 320,386        | \$ 308,095        |
| Less: Allowance for bad debts                       | ( 791 )           | ( 826 )           |
|   | <u>\$ 319,595</u> | <u>\$ 307,269</u> |
|   | 2023.12.31        | 2022.12.31        |
| Overdue receivable –<br>Measured at amortised cost  | \$ 7,319          | \$ 7,319          |
| Less: Allowance for bad debts                       | ( 7,319 )         | ( 7,319 )         |
|   | <u>\$ –</u>       | <u>\$ –</u>       |

The Company's credit period for customers is 45 days end of the month, and for some customers, it is 30 or 60 net.

For all notes receivable and accounts receivable, the Company adopts a simplified approach to estimate expected credit losses. That is, it is measured by expected credit losses during its lifetime. The expected credit losses analysis of the Company's notes receivable and accounts receivable is on December 31, 2023 and 2022 as follows:

|  | 2023.12.31        |                             |                              |                              |                               |                                   |                   |
|--|-------------------|-----------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------------|-------------------|
|  | Not past<br>due   | 1 to 30<br>days past<br>due | 31 to 60<br>days past<br>due | 61 to 90<br>days past<br>due | 91 to 180<br>days past<br>due | More than<br>180 days<br>past due | Total             |
| Expected credit loss<br>rate                             | 0%                | 0%                          | 5%                           | 20%                          | 50%                           | 100%                              |                   |
| Total carrying<br>amount                                 | \$ 363,054        | \$ 23,360                   | \$ 4,800                     | \$ 136                       | \$ 123                        | \$ 7,319                          | \$ 398,792        |
| Allowance for loss<br>(lifetime expected<br>credit loss) | (1,229)           | –                           | (240)                        | (27)                         | (24)                          | (7,319)                           | (8,839)           |
| amortised cost   | <u>\$ 361,825</u> | <u>\$ 23,360</u>            | <u>\$ 4,560</u>              | <u>\$ 109</u>                | <u>\$ 99</u>                  | <u>\$ –</u>                       | <u>\$ 389,953</u> |

|  | 2022.12.31   |                       |                        |                        |                         |                             | Total      |
|--|--------------|-----------------------|------------------------|------------------------|-------------------------|-----------------------------|------------|
|  | Not past due | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due |            |
| Expected credit loss rate                          | 0%           | 0%                    | 5%                     | 20%                    | 50%                     | 100%                        |            |
| Total carrying amount                              | \$ 328,271   | \$ 35,923             | \$ 1,909               | \$ 430                 | \$ —                    | \$ 7,369                    | \$ 373,902 |
| Allowance for loss (lifetime expected credit loss) | (1,375)      | —                     | (95)                   | (85)                   | —                       | (7,319)                     | (8,874)    |
| amortised cost                                     | \$ 326,896   | \$ 35,923             | \$ 1,814               | \$ 345                 | \$ —                    | \$ 50                       | \$ 365,028 |

Information on changes in the allowance for losses on notes and accounts receivable:

|  | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Opening balance  | \$ 8,874   | \$ 9,048   |
| Expected loss on credit impairment in the current period | 32         | —          |
| Current gains from expected credit recovery              | ( 67 )     | ( 174 )    |
| Write-off in the current period                          | —          | —          |
| Ending balance   | \$ 8,839   | \$ 8,874   |

For the accounts receivable that are overdue but not yet recognized for impairment, the Company assessed that the credit quality had not been changed significantly and the relevant accounts are recoverable, in addition to the following description, so there is no concern with impairment yet.

Please refer to Note 8 for details of guarantee provision.

(III) Other receivables

|        | 2023.12.31 | 2022.12.31 |
|--------|------------|------------|
| Others | 14,402     | 10,070     |
|        | \$ 14,402  | \$ 10,070  |

(IV) Inventories

|  | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Raw materials  | \$ 104,359 | \$ 90,873  |
| Supplies   | 54,897     | 72,727     |
| Work in progress   | 4          | 5          |
| Finished goods   | 611,417    | 673,334    |
| Less: Allowance for losses on falling prices of inventory and inventory obsolescence | ( 66,216 ) | ( 65,116 ) |
|  | \$ 704,461 | \$ 771,823 |

1.Inventory-related expenses and losses recognized in the current period:

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| Cost of inventories sold                              | \$ 2,303,221        | \$ 2,489,784        |
| Inventory obsolescence loss                           | 1,347               | —                   |
| Loss (profit) on inventory                            | 71                  | 10                  |
| Revenue from sales of leftovers                       | ( 2,274 )           | ( 3,837 )           |
| Recovered gain or loss on falling prices of inventory | 1,100               | 630                 |
| Expenses associated with idle capacity                | 69,393              | 127,984             |
|   | <u>\$ 2,372,858</u> | <u>\$ 2,614,571</u> |

2.The insured amount of inventories on December 31, 2023 and 2022 was NT\$834,443 thousand and NT\$895,454 thousand, respectively.

(V) Financial Asset at fair value measurement through Profit or Loss - Non-Current

|                       | 2023.12.31    | 2022.12.31    |
|-----------------------|---------------|---------------|
| Jukang Life Co., Ltd. | \$ 914        | \$ 914        |
|                       | <u>\$ 914</u> | <u>\$ 914</u> |

The 2nd-tier subsidiary Jukang Life Co., Ltd. conducted a cash capital increase on May 5, 2021, and the Company's subsidiary Acenature Biotechnology did not participate in the capital increase in accordance with the shareholding percentage, which dropped the shareholding from 45% to 30%, and lost the managerial control over Jukang. Another 11% of the shares were sold on May 20, 2021, further dropping the shareholding from 30% to 19%, so it lost its significant influence starting that day. The investments accounted for using equity method was reclassified as non-current financial assets at fair value measurement through profit or loss.

(VI) Investments accounted for using equity method

The following lists the investments accounted for using equity method:

|            | 2023.12.31 | 2022.12.31 |
|------------|------------|------------|
| Associates | \$ 54,969  | \$ 58,688  |

The Company's associates are listed as follows:

| Investee              | Main businesses          | Establishment and operating location | Carrying amount |            | Ownership interests and voting right percentage held by the Company |            |
|-----------------------|--------------------------|--------------------------------------|-----------------|------------|---|------------|
|                       |                          |                                      | 2023.12.31      | 2022.12.31 | 2023.12.31  | 2022.12.31 |
| <u>Common stock</u>   |                          |                                      |                 |            |   |            |
| ADVANCE WISDOM LTD.   | Overseas holding company | Seychelles                           | \$ 13,135       | \$ 14,063  | 20.0%   | 20.0%      |
| ALPHA BRAVE INC.      | Overseas holding company | Seychelles                           | 12,974          | 13,887     | 20.0%   | 20.0%      |
| TIME GLORY CORP.      | Overseas holding company | Seychelles                           | 15,866          | 16,923     | 11.1%   | 11.1%      |
| CHAMPION LEGEND CORP. | Overseas holding company | Seychelles                           | 12,994          | 13,815     | 19.1%   | 19.1%      |
|                       |                          |                                      | \$ 54,969       | \$ 58,688  |   |            |

The total amounts of the Company's shares of associate companies recognized by the equity method in 2023 and 2022 were NT\$54,969 thousand and NT\$58,688 thousand, respectively, and the investment costs were both NT\$70,751 thousand. Except for the companies mentioned below, the remaining equity ownership percentages are all 20.0%.

The invested subsidiaries TIME GLORY CORP. and CHAMPION LEGEND CORP. went through a capital increase on February 5, 2020. The Company did not participate in the capital increase according to the shareholding, dropping the percentages from 20% in each to 11.1% and 19.1%, respectively. Although the shareholding is less than 20%, the Company has maintained a significant influence control of the companies, and the investment adopts the equity method. The increase in net equity value of NT\$307 thousand due to the non-subscription of new shares according to the shareholding percentage was recognized as capital surplus; in addition, the exchange difference realized on translation of foreign operations was reclassified as disposal losses of NT\$789 thousand.

The invested subsidiaries ADVANCE WISDOM LTD., ALPHA BRAVE INC., TIME GLORY CORP., and CHAMPION LEGEND CORP. completed a capital increase in February 2022 for a total of NT\$2,812 thousand. The Company participated in the capital increase in accordance with the shareholding percentage. It has maintained significant control of each company, so the investments still adopt the equity method.

For 2023 and 2022, the share of profits and losses of associates recognized by the Company using the equity method was recognized based on the financial statements audited by other accountants.

The financial information of the Company's associates is summarized as follows: (not in the order of shareholding percentage)

|   | 2023         | 2022         |
|---|--------------|--------------|
| Share of comprehensive income of associated accounted for using the equity method | ( \$ 2,270 ) | ( \$ 1,837 ) |
|   | 2023.12.31   | 2022.12.31   |
| Total assets  | \$ 341,690   | \$ 364,716   |
| Total liabilities   | \$ —         | \$ —         |

|                            | 2023<br>cumulative | 2022<br>cumulative |
|----------------------------|--------------------|--------------------|
| Revenue                    | \$ —               | \$ —               |
| Annual total profit (loss) | ( \$ 14,014 )      | ( \$ 10,966 )      |

(VII)Property, plant and equipment

|  | 2023.12.31          | 2022.12.31          |
|--|---------------------|---------------------|
| Own land   | \$ 371,560          | \$ 371,560          |
| Buildings and structures                               | 303,817             | 330,705             |
| Machinery and equipment                                | 687,525             | 771,236             |
| Other equipment  | 133,586             | 144,342             |
| Unfinished construction and equipment under acceptance | 306,835             | 169,071             |
|  | <u>\$ 1,803,323</u> | <u>\$ 1,786,914</u> |



|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Unfinished construction and equipment under acceptance | Total        |
|---|------------|--------------------------|-------------------------|-----------------|--|--------------|
| <u>Cost</u>                                     |            |                          |                         |                 |  |              |
| Balance on 2023.01.01                           | \$ 376,560 | \$ 890,803               | \$ 3,374,227            | \$ 586,264      | \$ 169,071   | \$ 5,396,925 |
| Additions                                       | —          | 4,401                    | 40,212                  | 14,848          | 137,764  | 197,225      |
| Disposal  | —          | ( 735 )                  | ( 6,006 )               | ( 1,457 )       | —  | ( 8,198 )    |
| Balance on 2023.12.31                           | \$ 376,560 | \$ 894,469               | \$ 3,408,433            | \$ 599,655      | \$ 306,835   | \$ 5,585,952 |
|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Total  |              |
| <u>Accumulated depreciation and impairments</u> |            |                          |                         |                 |  |              |
| Balance on 2023.01.01                           | \$ 5,000   | \$ 560,098               | \$ 2,602,991            | \$ 441,922      | \$ 3,610,011   |              |
| Depreciation expense                            | —          | 31,240                   | 123,922                 | 25,123          | 180,285  |              |
| Removal - Disposal of Assets                    | —          | ( 686 )                  | ( 6,005 )               | ( 976 )         | ( 7,667 )  |              |
| Balance on 2023.12.31                           | \$ 5,000   | \$ 590,652               | \$ 2,720,908            | \$ 466,069      | \$ 3,782,629   |              |
|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Unfinished construction and equipment under acceptance | Total        |
| <u>Cost</u>                                     |            |                          |                         |                 |  |              |
| Balance on 2022.01.01                           | \$ 362,284 | \$ 874,689               | \$ 3,205,219            | \$ 575,929      | \$ 118,073   | \$ 5,136,194 |
| Additions                                       | 14,276     | 16,114                   | 141,351                 | 18,297          | 50,998   | 241,036      |
| Disposal  | —          | —                        | ( 56,728 )              | ( 7,962 )       | —  | ( 64,690 )   |
| Reclassification                                | —          | —                        | 84,385                  | —               | —  | 84,385       |
| Balance on 2022.12.31                           | \$ 376,560 | \$ 890,803               | \$ 3,374,227            | \$ 586,264      | \$ 169,071   | \$ 5,396,925 |
|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Total  |              |
| <u>Accumulated depreciation and impairments</u> |            |                          |                         |                 |  |              |
| Balance on 2022.01.01                           | \$ 5,000   | \$ 528,566               | \$ 2,520,814            | \$ 424,060      | \$ 3,478,440   |              |
| Depreciation expense                            | —          | 31,532                   | 123,275                 | 25,002          | 179,809  |              |
| Removal - Disposal of Assets                    | —          | —                        | ( 56,483 )              | ( 7,140 )       | ( 63,623 )   |              |
| Losing control                                  | —          | —                        | 15,385                  | —               | 15,385   |              |
| Balance on 2022.12.31                           | \$ 5,000   | \$ 560,098               | \$ 2,602,991            | \$ 441,922      | \$ 3,610,011   |              |

The material components of the Company's buildings include the main factory building, lifting equipment, air-conditioning system, etc., and their service life is 2 to 50 years.

1. For collateral used by the Company as guarantee for borrowings as of December 31, 2023 and 2022, please refer to Note 8.
2. Land, buildings and structures, machinery and other equipment were reevaluated in accordance with the previous Generally Accepted Accounting Principles when they were used in 2012 as the recognized cost. In 2023 and 2022, property, factory buildings and other equipment were partially reevaluated due to disposal. The undistributed earnings from the lifting of restricted reversal of special reserves were NT\$28 thousand and NT\$6 thousand, respectively.
3. The Company's subsidiary Acegreen Eco-Material Technology acquired land, with parcel number #0928-0000 in Phīnn-á-thâu of Ershui Township in April 2019 and registered it under director Wen-Po Yang.
4. The insured amounts on December 31, 2023 and 2022 were NT\$3,629,937 thousand and NT\$3,417,602 thousand, respectively.
5. For the fiscal year 2022, the consolidated companies capitalized NT\$392 thousand for interest on unfinished projects and equipment , with an interest rate of 1.75%.

(VIII)Lease agreement

- 1.The changes in the cost, depreciation and impairment loss of the Company's leased land are as follows:

|  | Land      | Buildings and<br>structures | Machinery and<br>equipment | Total      |
|--|-----------|-----------------------------|----------------------------|------------|
| Cost of right-of-use assets:                               |           |                             |                            |            |
| Balance on January 1, 2023                                 | \$ 31,102 | \$ 7,224                    | \$ —                       | \$ 38,326  |
| Additions  | 723       | 9,131                       | —                          | 9,854      |
| Less   | ( 1,459 ) | ( 2,712 )                   | —                          | ( 4,171 )  |
| Balance on December 31,<br>2023                            | \$ 30,366 | \$ 13,643                   | \$ —                       | \$ 44,009  |
|  | Land      | Buildings and<br>structures | Machinery and<br>equipment | Total      |
| Depreciation and impairment<br>loss of right-of-use assets |           |                             |                            |            |
| Balance on January 1, 2023                                 | \$ 7,130  | \$ 4,659                    | \$ —                       | \$ 11,789  |
| Depreciation for the year                                  | 3,433     | 2,015                       | —                          | 5,448      |
| Less   | ( 1,459 ) | ( 2,712 )                   | —                          | ( 4,171 )  |
| Balance on December 31,<br>2023                            | \$ 9,104  | \$ 3,962                    | \$ —                       | \$ 13,066  |
| Carrying amount:   |           |                             |                            |            |
| December 31, 2023  | \$ 21,262 | \$ 9,681                    | \$ —                       | \$ 30,943  |
|  | Land      | Buildings and<br>structures | Machinery and<br>equipment | Total      |
| Cost of right-of-use assets:                               |           |                             |                            |            |
| Balance on January 1, 2022                                 | \$ 27,613 | \$ 4,512                    | \$ 84,385                  | \$ 116,510 |
| Additions  | 4,835     | 2,712                       | —                          | 7,547      |
| Less   | ( 1,346 ) | —                           | —                          | ( 1,346 )  |
| Reclassification   | —         | —                           | ( 84,385 )                 | ( 84,385 ) |
| Balance on December 31,<br>2022                            | \$ 31,102 | \$ 7,224                    | \$ —                       | \$ 38,326  |
|  | Land      | Buildings and<br>structures | Machinery and<br>equipment | Total      |
| Depreciation and impairment<br>loss of right-of-use assets |           |                             |                            |            |
| Balance on January 1, 2022                                 | \$ 4,332  | \$ 2,943                    | \$ 14,069                  | \$ 21,344  |
| Depreciation for the year                                  | 3,405     | 1,716                       | 1,316                      | 6,437      |
| Less   | ( 607 )   | —                           | —                          | ( 607 )    |
| Reclassification   | —         | —                           | ( 15,385 )                 | ( 15,385 ) |
| Balance on December 31,<br>2022                            | \$ 7,130  | \$ 4,659                    | \$ —                       | \$ 11,789  |
| Carrying amount:   |           |                             |                            |            |
| December 31, 2022  | \$ 23,972 | \$ 2,565                    | \$ —                       | \$ 26,537  |

2.The details of lease liabilities are as follows:

|   | 2023.12.31 | 2022.12.31  |
|---|------------|-------------|
| Carrying amount of lease liabilities          |            |             |
| Current                                       | \$ 6,147   | \$ 4,844    |
| Non-current                                   | \$ 24,683  | \$ 21,414   |
| Range of discount rates for lease liabilities |            |             |
| Right to use buildings, land and machinery    | 1.84%      | 1.84%~2.89% |

3.We lease land and houses under long-term leases used as warehouses, factory land and offices. The lease period expires between 2024 and 2032. When the lease expires or is terminated, the buildings on the ground must be retained for the lessor. After the expiry of the lease, we have the priority right to renew the contract. Our expected rent payable in the future is summarized as follows (NT\$ thousand)

| Duration      | Amount    |
|---------------|-----------|
| Within 1 year | \$ 6,503  |
| 2 to 5 years  | 19,836    |
| Over 5 years  | 6,285     |
|               | \$ 32,624 |

4.Lease liabilities/Operating lease

(1) The amounts recognized in profit or loss for leases are as follows:

|  | 2023     | 2022     |
|--|----------|----------|
| Interest expenses on lease liabilities   | \$ 417   | \$ 664   |
| Variable lease payments not included in the measurement of the lease liability     | \$ 4     | \$ 200   |
| Income from sublease of right-of-use assets  | \$ —     | \$ —     |
| Short-term lease expense   | \$ 3,534 | \$ 3,643 |
| Expenses on low-value leased assets (low-value leases excluding short-term leases) | \$ —     | \$ 242   |

(2)Amounts recognized in the cash flow statement are as follows:

|                           | 2023     | 2022      |
|---------------------------|----------|-----------|
| Total cash used in leases | \$ 8,820 | \$ 78,468 |

(IX) Other non-current assets

|                           | 2023.12.31 | 2022.12.31 |
|---------------------------|------------|------------|
| Prepayments for equipment | \$ 13,603  | \$ 15,703  |
| Refundable deposit        | 8,678      | 3,200      |
| Others                    | 437        | 739        |
|                           | \$ 22,718  | \$ 19,642  |

1. The capitalized interests of prepayment for equipment in 2023 and 2022 were NT\$3,520 thousand and

NT\$2,367 thousand, respectively. Ranges of interest rates were 2.11% to 2.56% and 1.613% to 2.107%, respectively.

2. Please refer to Notes 8 for details of guarantee provision.

(X) Short-term borrowings

|                                      | 2023.12.31          | 2022.12.31         |
|--------------------------------------|---------------------|--------------------|
| Short-term secured loans             | \$ 112,020          | \$ 100,020         |
| Funds borrowed to purchase materials | 223,579             | 234,453            |
|                                      | <u>\$ 335,599</u>   | <u>\$ 334,473</u>  |
| Range of interest rate               | <u>2.11%~2.415%</u> | <u>1.95%~6.50%</u> |

Please refer to Notes 7 and 8 for details of guarantee provision.

(XI) Other accounts payable

|                                    | 2023.12.31        | 2022.12.31        |
|------------------------------------|-------------------|-------------------|
| Payroll payable                    | \$ 23,656         | \$ 25,688         |
| Payable on machinery and equipment | 16,993            | 40,076            |
| Employee remuneration payable      | —                 | 79                |
| Other accrued expenses             | 85,397            | 92,608            |
|                                    | <u>\$ 126,046</u> | <u>\$ 158,451</u> |

(XII) Provisions

|  | 2023.12.31      | 2022.12.31      |
|--|-----------------|-----------------|
| Employee short-term paid-leave reserve | \$ 6,820        | \$ 6,763        |
| Total                                  | <u>\$ 6,820</u> | <u>\$ 6,763</u> |

1. Employee short-term paid-leave reserve

|                 | 2023.12.31      | 2022.12.31      |
|-----------------|-----------------|-----------------|
| Opening balance | \$ 6,763        | \$ 8,613        |
| Add (less)      | , 57            | ( 1,850 )       |
| Ending balance  | <u>\$ 6,820</u> | <u>\$ 6,763</u> |

2. Provision is mainly based on history, experience, management judgment and other reasons that have been mentioned to estimate the likelihood of employee paid leave. It is expected that the provision will be used within one year.

(XIII) Bonds payable

|   | 2023.12.31 | 2022.12.31 |
|---|------------|------------|
| First series domestic secured corporate bonds | \$ —       | \$ —       |
| Less: Discount on corporate bonds payable     | —          | —          |
| Subtotal                                      | —          | —          |
| Less: Mature within one year                  | —          | —          |
|   | \$ —       | \$ —       |

1. The issuance criteria for the Company's first series domestic secured convertible bonds are as follows:

(1) The Company was approved by the competent authority to raise and issue the first series domestic secured corporate bonds. The total issue amount was NT\$300,000 thousand, the par value was NT\$1,000 thousand, and bonds were issued in full at the par value on the issue date, with a coupon rate of 0.97%. The maturity period of 5 years is from November 22, 2017 to November 22, 2022. The principal is repaid in one payment at maturity, which is 5 years from the issue date. As of November 22, 2022, the repayment has been made, and the de-registration was completed on November 23, 2022.

(2) Simple interest payment on the coupon rate for the outstanding balance is made once a year starting the issue date. Interest is calculated to the one place of the NTD of the par value, and rounded up if the amount is less than one dollar. If the principal and interest payment date falls on the day when the payor bank of the place of payment is closed for the day, the principal and interest will be paid on the business day following the closed business day, and no additional interest will be paid. No additional interests are calculated paid for those who receive principal and interests after the principal and interest payment date.

(3) Land Bank of Taiwan performs the guarantee of the corporate bonds in accordance with the delegation guarantee contract.

2. As of December 31, 2022, the amortization of discount on bonds payable for the secured ordinary corporate bond was NT\$3,040 thousand.

3. The guarantee fee for the Company's issuance of secured corporate bonds is calculated at an annual rate of 11/1000, with one year as one period, and the annual guarantee fee receivable is NT\$3,333 thousand.

4. Please refer to Notes 7 for details of guarantee provision.

## (XIV) Long-term borrowings

| Type of borrowings           | Maturity date | 2023.12.31 | 2022.12.31  |
|------------------------------|---------------|------------|-------------|
| Long-term bank borrowings    |               |            |             |
| Secured borrowings           | 2038.07       | \$ 147,278 | \$ 220,816  |
| Credit loan                  |               | —          | 25,000      |
| Subtotal                     |               | 147,278    | 245,816     |
| Less: Mature within one year |               | ( 60,918 ) | ( 100,340 ) |
|                              |               | \$ 86,360  | \$ 145,476  |

| Type of borrowings                              | Maturity date | 2023.12.31   | 2022.12.31   |
|---|---------------|--------------|--------------|
| Long-term commercial paper payable              |               |              |              |
| Mega Bills Finance Co., Ltd. -- Taichung branch | 2025.05       | \$ 1,050,000 | \$ 860,000   |
| Subtotal  |               | 1,050,000    | 860,000      |
| Less: Discount on long-term notes payable       |               | ( 4,761 )    | ( 4,025 )    |
|   |               | \$ 1,045,239 | \$ 855,975   |
| Total   |               | \$ 1,131,599 | \$ 1,001,451 |

- As of December 31, 2023, long-term secured loans from banks will mature between September 2024 and July 2038, and the repayments are in accordance with the agreements of each secured loan.
- As of December 31, 2023, long-term credit loans from banks will mature in May 2023, and the repayments are in accordance with the agreements of each credit loan.
- The subsidiary Acegreen Eco-Material Technology signed a Delegation Guarantee Issuance of Commercial Paper Contract with Mega Bills Finance, and the 2023 and 2022 expiration dates of the original contracts were on June 1, 2024 and March 10, 2023. In Q4 2023 and 2022, Mega Bills Finance agreed on the premise that the Company complies with the Act Governing Bills Finance Business, performs various agreed matters according to the Contract without a breach of contract, and provides Acegreen Eco-Material Technology and the Company's approved collaterals such as property and plants, the Company may apply for an extension to May 31, 2025 and March 10, 2024 in accordance with the credit granting procedures. The Company met the criteria for an extension for each period, and the Contract was recognized as long-term loans.
- The Acelon Chemicals & Fiber Coporation signed a Delegation Guarantee Issuance of Commercial Paper Contract with Mega Bills Finance, and expiration dates of the original contracts were on May 31,

2024, Mega Bills Finance agreed on the premise that the Company complies with the Act Governing Bills Finance Business, performs various agreed matters according to the Contract without a breach of contract, and provides the Company's approved collaterals such as property and plants, the Company may apply for an extension to May 31, 2025 in accordance with the credit granting procedures. The Company met the criteria for an extension for each period, and the Contract was recognized as long-term loans.

5. The 2023 and 2022 interest rates for secured loans and credit loans were between 2.13% and 2.56% and 1.89% and 2.44%, respectively.
6. The 2023 and 2022 interest rates for long-term notes payable were 2.488%~2.788% and 2.588%, respectively.
7. Please refer to Notes 7 and 8 for details of guarantee provision.

(XV)Employee welfare

1. Defined benefit plans

The Company has established a retirement plan for employees based on the Labor Standards Act, which is considered a defined-benefit pension plan. According to the provisions of the plan, employee pensions are calculated based on years of service and the average salary the six months before retirement is approved. The Company contributes a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the labor retirement fund supervisory committee.

The composition, changes in present value, service costs recognized as expenses and key actuarial assumptions associated with the Company's defined-benefit obligations are explained as follows:

(1)Actuarial assumptions on the reporting date:

|                                  | 2023.12.31 | 2022.12.31 |
|----------------------------------|------------|------------|
| Discount rate                    | 1.3%       | 1.3%       |
| Expected future salary increases | 2.00%      | 2.00%      |

(2)Amounts of pension costs recognized as expenses related to the defined-benefit plan are listed as follows:

|   | 2023   | 2022   |
|---|--------|--------|
| Current service cost                                      | \$ 251 | \$ 311 |
| Net interest on the net defined benefit liability (asset) | 58     | 261    |
| Pension expense (benefit)                                 | \$ 309 | \$ 572 |

(3)The amounts included in the balance sheet of the Company's obligations arising from the



defined-benefit plan are listed as follows:

|  | 2023.12.31    | 2022.12.31    |
|--|---------------|---------------|
| Defined benefit obligations                    | ( \$ 14,358 ) | ( \$ 98,192 ) |
| Fair value of plan assets                      | 10,618        | 92,976        |
| Net defined-benefit asset (liability)          | ( \$ 3,740 )  | ( \$ 5,216 )  |
| (Net defined benefit liability -- Non-current) |               |               |

(4)Changes in the present value of defined benefit obligation:

|   | 2023       | 2023       |
|---|------------|------------|
| Beginning defined benefit obligations       | \$ 98,192  | \$ 115,868 |
| Current service cost                        | 251        | 311        |
| Interest cost of defined benefit obligation | 1,254      | 753        |
| Benefit payments                            | ( 84,693 ) | ( 6,861 )  |
| Actuarial gains or losses                   | ( 646 )    | ( 11,879 ) |
| Ending defined benefit obligations          | \$ 14,358  | \$ 98,192  |

(5)Changes in the fair value of plan assets in the current year are listed as follows:

|   | 2023       | 2022      |
|---|------------|-----------|
| Beginning fair value of plan assets     | \$ 92,976  | \$ 77,731 |
| Expected interest income on plan assets | 1,197      | 492       |
| Plan asset benefit payments             | ( 84,693 ) | ( 6,861 ) |
| Gain (loss) in return on plan assets    | ( 53 )     | 5,074     |
| Contributions by employer               | 1,191      | 16,540    |
| Ending fair value of plan assets        | \$ 10,618  | \$ 92,976 |

(6)Compositions in percentage of the fair value of plan assets are listed as follows:

|                               | 2023.12.31 | 2022.12.31 |
|-------------------------------|------------|------------|
| Cash and cash equivalents     | 100.00%    | 100.00%    |
| Others                        | —          | —          |
| Fair value of plan assets (%) | 100.00%    | 100.00%    |

The expected rate of return on overall assets is based on historical return trends and analysts' forecasts of the assets' market during the lifetime of the relevant obligations, and with reference to the use of labor pension funds by the labor retirement fund supervisory committee, while considering that the minimum return is not lower than the 2-year time deposit interest from local banks. The

actual returns on plan assets for 2023 and 2022 were \$1,144 thousand and \$5,566 thousand, respectively.

The historical information on experience adjustment is listed as follows:

|  | 2023.12.31    | 2022.12.31    |
|--|---------------|---------------|
| Defined benefit obligations                | ( \$ 14,358 ) | ( \$ 98,192 ) |
| Fair value of plan assets                  | 10,618        | 92,976        |
| Net defined-benefit asset (liability)      | ( \$ 3,740 )  | ( \$ 5,216 )  |
| Experience adjustments on plan liabilities | ( \$ 646 )    | ( \$ 11,879 ) |
| Experience adjustments on plan assets      | \$ 53         | ( \$ 5,074 )  |

The Company recognized NT\$594 thousand and NT\$16,952 thousand of actuarial (loss) gain in other comprehensive income in 2023 and 2022, respectively; and the accumulated actuarial gains recognized in other comprehensive income was NT\$7,008 thousand as of December 31, 2023.

In 2023, the Company expected to allocate NT\$595 thousand to the defined-benefit plan in the next fiscal year.

## 2. Defined contribution plans

The Company has established a retirement plan for employees based on the Labor Pension Act, which is considered a defined-contribution plan. An amount equal to 6% of employees' monthly salaries and wages is allocated to employees' personal pension accounts at the Bureau of Labor Insurance on a monthly basis.

In accordance with the above relevant regulations, the Company's pension costs recognized as expenses in the statement of comprehensive income in 2023 and 2022 are explained as follows:

|   | 2023     | 2022     |
|---|----------|----------|
| Amount of contribution in the defined contribution plan | \$ 9,308 | \$ 9,550 |
| Total pension cost                                      | \$ 9,308 | \$ 9,550 |

As of December 31, 2023, the overdue contribution amount that had not been paid to the plan for the reporting period of 2023 was NT\$2,005 thousand. The amount was paid after the end date of the reporting period.

3. Please refer to Note 6 (12) for information on the employee short-term paid-leave reserve.

## (XVI)Capital

As of December 31, 2023 and 2022, the Company's authorized capital was NT\$3,000,000 thousand, and the paid-in capital was NT\$1,111,573 thousand, and there were 111,157 thousand shares in both years, with a par value of NT\$10.

(XVII)Capital surplus

|   | <u>2023.12.31</u> | <u>2022.12.31</u> |
|---|-------------------|-------------------|
| Issue of shares at premium  | \$ 244,864        | \$ 244,864        |
| Conversion premium from convertible bonds   | 99,187            | 99,187            |
| Employee stock options -- Expired   | 21,411            | 21,411            |
| Trading of treasury stock   | 1,900             | 1,900             |
| Convertible bonds -- Expired stock options  | 62,631            | 62,631            |
| Loss of right of action for not claiming dividends in previous years                  | 853               | 853               |
| Changes in shares of associates and joint ventures recognized under the equity method | 307               | 307               |
|   | <u>\$ 431,153</u> | <u>\$ 431,153</u> |

1. According to the provisions of the Company Act, the capital surplus shall not be used except to make up for the Company's losses and to be allocated to working capital. Capital reserves should not be used to cover accumulated deficits unless the legal reserve is insufficient.
2. In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on the issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, the capitalization is limited to a certain percentage of the paid-in capital every year. In addition, changes in ownership interests in subsidiaries are recognized to offset losses.
3. On October 15, 2010, the board resolution approved the issue of 20,000 thousand new shares for a cash capital increase, of which 15%, a total of 3,000 thousand shares, was reserved for employees subscription. On October 25, 2010, the weighted average fair value of NT\$9.15 per share as calculated by actuary recognized remuneration cost of NT\$27,453 thousand. Actual employee stock subscription of NT\$6,744 thousand was transferred to the premium of the issue shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$20,709 thousand.
4. On September 30, 2014, the board resolution approved the issue of 5,000 thousand new shares for a cash capital increase, of which 15%, a total of 750 thousand shares, was reserved for employees subscription. On October 25, 2014, the weighted average fair value of NT\$0.95 per share as calculated by actuary recognized remuneration cost of NT\$713 thousand. Actual employee stock subscription of NT\$11 thousand was transferred to the premium of the issue shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$702 thousand.
5. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put option has expired on January 14, 2016, so the relevant capital surplus was reclassified and adjusted by NT\$5,154 thousand.
6. For the domestic 3rd series unsecured convertible corporate bond issued by the Company, the put option has been exercised on September 24, 2017, so the relevant capital surplus was reclassified and adjusted by NT\$31,360 thousand.
7. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put

option has expired on January 14, 2018, so the relevant capital surplus was reclassified and adjusted by NT\$4,369 thousand.

8. Please refer to Note 6 (18) for the information on distribution of cash from capital surplus.

(XVIII) Retained earnings

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts is distributed to the following accounts in their respective order:

- (1) Withholding taxes.
- (2) Make up for past losses.
- (3) Allocated 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted.
- (4) Allocated or reversed special reserve.
- (5) The surplus is added to the accumulated undistributed earnings of the previous year to become the earnings available for distribution. The board reserves part of the earnings to meet the need of business operations, and then drafts a distribution proposal.

The allocation in the form of issuing new shares should be proposed to the shareholder meeting for resolution. Pursuant to Paragraph 5, Article 240 of the Company Act, the Company may authorize the board of directors to distribute dividends, profit-sharing, legal reserve and capital reserve (subject to compliance with Article 241 of The Company Act) wholly or partially in cash. Such decisions must be approved in a board meeting with at least two-thirds of directors present and supported by more than half of attending directors, and reported during a shareholder meeting afterwards.

2. In order to meet the needs of sustainable operations, capital expansion and healthy development, and in consideration of maximizing shareholder value, the Company's dividend policy shall appropriately distribute stock dividends and cash dividends in accordance with the Company's future capital expenditure budget and capital needs. The board is authorized to set the actual distribution percentage in accordance with the Company's capital status and capital budget situation.

3. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (21).

4. The legal reserve should be allocated until its total amount reaches the total paid-in capital. Legal reserve is used to make up for the Company's losses. If the Company has no losses, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed in newly issued stocks or cash to shareholders in proportion to their shareholding.

5. The profit distribution plan for the fiscal year 2023, as the Company incurred a net loss for the fiscal year 2023, the Board of Directors resolved on March 15, 2024, not to distribute dividends. The remaining resolution will be subject to the decision at the shareholders' meeting scheduled for June 21, 2024. For information regarding the proposed resolutions passed by the Board of Directors and the dividend distribution approved at the shareholders' meeting, please refer to the "Public Information Observation Platform" of the Taiwan Stock Exchange.

6. The resolution of the shareholder meeting on June 16, 2023 approved the motion to make up for the 2022 losses:

| 2022           |             |                            |
|----------------|-------------|----------------------------|
|                | Amount      | Dividends per share (NT\$) |
| Legal reserve  | \$ —        |                            |
| Cash dividends | —           | \$ —                       |
|                | <u>\$ —</u> |                            |

7. The shareholder meeting resolution on June 29, 2022 approved the 2022 earnings distribution shown as follows:

|   | Accumulated earnings                   | Dividends per share (NT\$) |
|---|--|----------------------------|
|   | 2021                                   | 2021                       |
| Beginning undistributed earnings  | \$ —                                   |                            |
| Add: Special reserve that can be reversed and released from restrictions (Note 1) | 2,485                                  |                            |
| Add: Net effect of remeasurement of defined-benefit plans                         | 2,714                                  |                            |
| Add: 2021 net income after taxes  | 177,878                                |                            |
| Unappropriated earnings   | 183,077                                |                            |
| Less: Allocated legal reserve   | ( 18,308 )                             |                            |
| Less: Make up the 2020 special reserve to make up for losses (Note 2)             | ( 75,502 )                             |                            |
| Earnings available for distribution in the current period                         | 89,267                                 |                            |
| Distributions:  |  |                            |
| Cash dividends  | ( 89,267 )                             | \$ 0.8031                  |
| Ending undistributed earnings   | <u>\$ —</u>                            |                            |
|   | <u>Distribution of capital surplus</u> |                            |
|   | 2021                                   |                            |
| Issue of shares at premium  | \$ 266,755                             |                            |
| Distributions:  |  |                            |
| Cash dividends  | ( 21,890 )                             | \$ 0.1969                  |
| Balance after distribution  | <u>\$ 244,865</u>                      |                            |

Note 1: 2021 reversal of restricted special reserve that has been disposed of.

Note 2: According to the provisions of the Tai-Tsai-Zheng-Yi-Zi Document #0910128347, if the Company has used special earned surplus to make up for losses, it should prioritize making up for the shortfall of the special earned surplus in the future years with surplus before distributing earnings.

(XIX)Net revenue

|                           | 2023         | 2022         |
|---------------------------|--------------|--------------|
| Sales income              | \$ 2,467,031 | \$ 2,814,949 |
| Sales return and discount | ( 13,360 )   | ( 29,523 )   |
| Net purchase              | \$ 2,453,671 | \$ 2,785,426 |

|                                       | 2023         | 2022         |
|---------------------------------------|--------------|--------------|
| Revenue from contracts with customers |              |              |
| Revenue from product sales            | \$ 2,453,671 | \$ 2,785,426 |
| Net purchase                          | \$ 2,453,671 | \$ 2,785,426 |

(1)Disaggregation of revenue

|                   | 2023         | 2022         |
|-------------------|--------------|--------------|
| Main products     |              |              |
| Yarn              | \$ 576,788   | \$ 788,768   |
| Textured yarn     | 1,232,920    | 1,428,682    |
| Medical materials | 61,497       | 186,594      |
| Lyocell Yarn      | 353,531      | 82,917       |
| Others            | 228,935      | 298,465      |
|                   | \$ 2,453,671 | \$ 2,785,426 |

Cut-off point of revenue recognition

|                                      | 2023         | 2022         |
|--------------------------------------|--------------|--------------|
| Cut-off point of revenue recognition |              |              |
| Goods sales -- At a point in time    | \$ 2,453,671 | \$ 2,785,426 |
|                                      | \$ 2,453,671 | \$ 2,785,426 |

(2)Contract balance

As of December 31, 2023 and 2022, the balance of contract liabilities from goods sales were NT\$17,684 thousand and NT\$10,467 thousand, respectively. Changes in contract liabilities are primarily attributable to differences in the timing of fulfilling performance obligations and the timing of payment by customers.

(XX)Non-operating income and expenses

1. Other income

|                                      | 2023      | 2022      |
|--------------------------------------|-----------|-----------|
| Rental income                        | \$ 543    | \$ 595    |
| Revenue from other government grants | 2,993     | 4,306     |
| Other income -- Others               | 16,230    | 16,086    |
|                                      | \$ 19,766 | \$ 20,987 |

2. Other benefits and losses

|   | 2023             | 2022             |
|---|------------------|------------------|
| Gain (loss) on disposal of property, plant and equipment        | (\$ 465 )        | (\$ 555 )        |
| Gain (loss) on foreign exchange                                 | 7,888            | 60,886           |
| Gains (losses) on valuation of financial assets and liabilities | —                | 3,634            |
| Other miscellaneous expenses                                    | ( 2,762 )        | ( 2,967 )        |
|   | <u>\$ 4,661</u>  | <u>\$ 60,998</u> |
| Finance costs   |                  |                  |
|   | 2023             | 2022             |
| Interest expense  | \$ 40,627        | \$ 29,771        |
| Less: Capitalized interest                                      | ( 3,520 )        | ( 2,759 )        |
|   | <u>\$ 37,107</u> | <u>\$ 27,012</u> |

(XXI)Employee benefits, depreciation, depletion and amortization in the current period

|                                 | 2023            |                    |            |
|---------------------------------|-----------------|--------------------|------------|
|                                 | Operating costs | Operating expenses | Total      |
| Employee benefits expenses      |                 |                    |            |
| Payroll expenses                | \$ 200,892      | \$ 68,794          | \$ 269,686 |
| Labor and health insurance fees | 22,832          | 7,813              | 30,645     |
| Pension expense                 | 6,347           | 3,650              | 9,997      |
| Other benefit expenses          | 10,672          | 3,574              | 14,246     |
| Depreciation expense            | 171,350         | 14,383             | 185,733    |
| Amortization expense            | 19,373          | 2,661              | 22,034     |
|                                 |                 |                    |            |
|                                 | 2022            |                    |            |
|                                 | Operating costs | Operating expenses | Total      |
| Employee benefits expenses      |                 |                    |            |
| Payroll expenses                | \$ 229,649      | \$ 66,869          | \$ 296,518 |
| Labor and health insurance fees | 24,910          | 8,998              | 33,908     |
| Pension expense                 | 6,650           | 3,472              | 10,122     |
| Other benefit expenses          | 12,048          | 4,012              | 16,060     |
| Depreciation expense            | 171,463         | 14,783             | 186,246    |
| Amortization expense            | 13,165          | 459                | 13,624     |

If the company achieves profitability for the fiscal year, it is mandated to allocate between 3% to 5% of the profits for employee remuneration and no more than 4% for director remuneration. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses, before using the remaining profit for distribution of remuneration. Employee bonus may be paid in stock or cash, and director bonus can only be paid in cash. The employees to whom the Company distributes remuneration, issues restricted stock award, share subscription warrants, subscription of new shares and

transfers repurchased shares should be those who meet the criteria of being in the Company or affiliated companies of which the Company has more than 50% of the ownership. Matters related to the payment of employee remuneration and directors' remuneration are handled in accordance with relevant laws and regulations, determined by the board, and reported to the shareholder meetings.

The 2023 and 2022 remuneration to employees and directors are estimated based on the net profit before tax for the year and are all NT\$0 thousand.

The board meeting on March 21, 2023 and the shareholder meeting on June 16, 2023 approved the 2022 remuneration of NT\$0 thousand to employees and directors, consistent with the amount recognized in the 2022 financial report.

The board meeting held on March 15, 2024 resolved to issue 2023 remuneration of NT\$0 thousand to employees and directors, which is consistent with the amount recognized in the 2023 financial report.

Information about employees' remuneration and directors' and supervisors' remuneration of the Company as resolved by the board and approved by the shareholder meeting will be posted in the Market Observation Post System.

(XXII)Income tax

1. Income tax recognized in profit or loss

|  | 2023                 | 2022              |
|--|----------------------|-------------------|
|  | <u>          </u>    | <u>          </u> |
| Current income tax   |                      |                   |
| Income tax incurred from the beginning of the year to the end of the current period          | \$ —                 | \$ 267            |
| Current adjustment based on the income tax in the previous year                              | —                    | 647               |
| Total current tax  | <u>—</u>             | <u>914</u>        |
| Deferred income tax  |                      |                   |
| Loss deduction   | ( 10,739 )           | ( 932 )           |
| Deferred tax expense (benefit) relating to origination and reversal of temporary differences | ( 772 )              | 2,550             |
| Income tax expense (benefit)   | <u>( \$ 11,511 )</u> | <u>\$ 2,532</u>   |

(1)Components of income tax expense:

The accounting income for the current year and the income tax expenses recognized in profit and loss are adjusted as follows:



|  | 2023           | 2022          |
|--|----------------|---------------|
| Net profit before tax (net loss)                                 | ( \$ 162,860 ) | ( \$ 64,212 ) |
| Tax calculated based on profit before tax and statutory tax rate | ( \$ 32,572 )  | ( \$ 12,842 ) |
| Effect of adjustments on income tax                              |                |               |
| Current adjustment based on the income tax in the previous year  | —              | 647           |
| Tax effects of subsidiary  | —              | 267           |
| Unrecognised temporary differences and loss deduction            | 21,061         | 14,460        |
| Income tax expense (benefit) recognized in profit or loss        | ( \$ 11,511 )  | \$ 2,532      |
| (2)Income tax recognized in other comprehensive income           |                |               |
|  | 2023           | 2022          |
| Income tax expense (benefit)                                     |                |               |
| Related to rereasurement of defined-benefit plans                | \$ 119         | \$ 3,390      |
|  | \$ 119         | \$ 3,390      |

2. Changes in deferred income tax assets and liabilities:

| 2023   | Opening balance | Current changes | Ending balance |
|--|-----------------|-----------------|----------------|
| Temporary difference                         |                 |                 |                |
| Debit/(Credit) income statement              |                 |                 |                |
| Unrealized loss on inventory                 | \$ 13,023       | \$ 220          | \$ 13,243      |
| Net defined benefit liability -- Non-current | 6,155           | ( 2,389 )       | 3,766          |
| Employee short-term paid-leave reserve       | 1,324           | 1               | 1,325          |
| Others                                       | 1,449           | 2,940           | 4,389          |
| Subtotal                                     | 21,951          | 772             | 22,723         |
| Loss deduction                               | 45,791          | 10,739          | 56,530         |
| Debit/(Credit) other comprehensive income    |                 |                 |                |
| Remeasurement of defined-benefit plans       | ( 1,281 )       | ( 119 )         | ( 1,400 )      |
| Deferred income tax assets                   | \$ 66,461       | \$ 11,392       | \$ 77,853      |
| Land value increment tax                     | \$ 18,115       | \$ —            | \$ 18,115      |
| Others                                       | 15              | —               | 15             |
| Deferred income tax liabilities              | \$ 18,130       | \$ —            | \$ 18,130      |

| 2022   | Opening<br>balance | Current<br>changes | Ending<br>balance |
|--|--------------------|--------------------|-------------------|
| Temporary difference                         |                    |                    |                   |
| Debit/(Credit) income statement              |                    |                    |                   |
| Unrealized loss on inventory                 | \$ 12,897          | \$ 126             | \$ 13,023         |
| Net defined benefit liability -- Non-current | 9,334              | ( 3,179 )          | 6,155             |
| Employee short-term paid-leave reserve       | 1,694              | ( 370 )            | 1,324             |
| Others                                       | 576                | 873                | 1,449             |
| Subtotal                                     | 24,501             | ( 2,550 )          | 21,951            |
| Loss deduction                               | 44,859             | 932                | 45,791            |
| Debit/(Credit) other comprehensive income    |                    |                    |                   |
| Remeasurement of defined-benefit plans       | 2,109              | ( 3,390 )          | 1,281             |
| Deferred income tax assets                   | \$ 71,469          | ( \$ 5,008 )       | \$ 66,461         |
| Land value increment tax                     | \$ 18,115          | \$ —               | \$ 18,115         |
| Others                                       | 15                 | —                  | 15                |
| Deferred income tax liabilities              | \$ 18,130          | \$ —               | \$ 18,130         |

Part of the deferred income tax assets and liabilities are expressed as the net amount after offset because the taxpayer and the tax authority are the same.

3. Deductible temporary difference unrecognised as deferred income tax assets and unused tax losses:

|                          | 2023.12.31 | 2022.12.31 |
|--------------------------|------------|------------|
| Impairment loss          | \$ 1,800   | \$ 1,800   |
| Allowance for bad debts  | 2,886      | 2,886      |
| Loss in long-term equity | 63,556     | 53,577     |
| Loss deduction           | 94,629     | 73,662     |
| Others                   | 197        | 158        |
|                          | \$ 163,068 | \$ 132,083 |

4. Unused loss deduction and tax exemption

(1) As of December 31, 2023, the relevant information on Acelon Chemicals & Fiber's loss deduction is as follows:

| Loss year | Final year of | Balance not yet<br>deducted            |
|-----------|---------------|--|
| 2019      | 2029          | \$ 74,666 (Approved)                   |
| 2022      | 2032          | 5,569 (Number to be filed)             |
| 2023      | 2033          | 109,302 (Estimated number to be filed) |
|           |               | \$ 189,537                             |

(2) As of December 31, 2023, the relevant information on Acegreen Eco-Material Technology's loss deduction is as follows:

| Loss year | Final year of deduction | Balance not yet deducted              |
|-----------|-------------------------|---------------------------------------|
| 2014      | 2024                    | \$ 3,971 (Approved)                   |
| 2015      | 2025                    | 10,884 (Approved)                     |
| 2016      | 2026                    | 76,073 (Approved)                     |
| 2017      | 2027                    | 76,612 (Approved)                     |
| 2018      | 2028                    | 73,305 (Approved)                     |
| 2019      | 2029                    | 136,258 (Approved)                    |
| 2020      | 2030                    | 15,306 (Approved)                     |
| 2021      | 2031                    | 42,634 (Approved)                     |
| 2022      | 2032                    | 75,486 (Number to be filed)           |
| 2023      | 2033                    | 51,462 (Estimated number to be filed) |
|           |                         | \$ 561,991                            |

5. The Company's 2021 income tax settlement and declaration have been reviewed and approved by the tax authority as of December 31, 2023.

6. The 2021 income tax settlement and declaration of main subsidiaries have been reviewed and approved by the tax authority as of December 31, 2023.

(XXIII) Earnings (loss) per share

The numerator and denominator for calculating earnings per share are disclosed as follows:

|   | 2023             |  |                                  |
|---|------------------|--|----------------------------------|
|   | Amount after tax | Weighted average share outstanding (thousand shares) | Earnings per share (Loss) (NT\$) |
| Basic earnings per share  |                  |  |                                  |
| Net profit (loss) for the year attributable to the parent company | ( \$ 151,349 )   | 111,157  | ( \$ 1.36 )                      |

|   | 2022             |  |                                     |
|---|------------------|--|-------------------------------------|
|   | Amount after tax | Weighted average<br>share outstanding<br>(thousand shares) | Earnings per share<br>(Loss) (NT\$) |
| Basic earnings per share  |                  |  |                                     |
| Net profit (loss) for the year attributable to the parent company | ( \$ 66,744 )    | 111,157  | ( \$ 0.60 )                         |

(XXIV) Supplement information of net cash flow

Investing activities with partial cash payments:

|   | 2023       | 2022       |
|---|------------|------------|
| Purchase of property, plant and equipment           | \$ 197,225 | \$ 241,036 |
| Less: Reclassification of prepayments for equipment | ( 1 )      | —          |
| Add: Opening balance of payable on equipment        | 40,076     | 27,422     |
| Less: Ending balance of payable on equipment        | ( 16,993 ) | ( 40,076 ) |
| Cash paid during the year                           | \$ 220,307 | \$ 228,382 |

(XXV) Capital management

Based on the characteristics of the current industry and the future development of the Company, and considering factors such as changes in the external environment, we plan the working capital and dividend payments needed in the future to ensure that the Company can continue to operate, reward shareholders and take into account the interests of stakeholders, and maintain the optimal capital structure to enhance shareholder value in the long run.

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares, return cash capital to shareholders, or buy back the Company's shares.

Our management regularly reviews the capital structure and considers possible risks and opportunities with which it may be associated. In general, we adopt a prudent risk management strategy.

## (XXVI) Changes in liabilities arising from financing activities

|  | Balance on<br>2023.01.01 | Cash flow         | Non-cash<br>transactions | Balance on<br>2023.12.31 |
|--|--------------------------|-------------------|--------------------------|--------------------------|
| Short-term borrowings                                    | \$ 334,473               | \$ 1,126          | \$ —                     | \$ 335,599               |
| Long-term bank borrowings<br>(including current portion) | 245,816                  | ( 98,538 )        | —                        | 147,278                  |
| Long-term notes payable                                  | 860,000                  | 190,000           | —                        | 1,050,000                |
| Lease liabilities -- (Current and<br>non-current)        | 26,258                   | ( 5,282 )         | 9,854                    | 30,830                   |
|  | <u>\$ 1,466,547</u>      | <u>\$ 87,306</u>  | <u>\$ 9,854</u>          | <u>\$ 1,563,707</u>      |
|  | Balance on<br>2022.01.01 | Cash flow         | Non-cash<br>transactions | Balance on<br>2022.12.31 |
| Short-term borrowings                                    | \$ 87,537                | \$ 246,936        | \$ —                     | \$ 334,473               |
| Bonds payable  | 300,000                  | ( 300,000 )       | —                        | —                        |
| Long-term bank borrowings<br>(including current portion) | 584,492                  | ( 338,676 )       | —                        | 245,816                  |
| Long-term notes payable                                  | 200,000                  | 660,000           | —                        | 860,000                  |
| Lease liabilities -- (Current and<br>non-current)        | 95,626                   | ( 74,383 )        | 5,015                    | 26,258                   |
|  | <u>\$ 1,267,655</u>      | <u>\$ 193,877</u> | <u>\$ 5,015</u>          | <u>\$ 1,466,547</u>      |

## VII. Related party transaction

## (I) Name of the related parties

| Name of the related parties                | Relationship with the Company           |
|--|---|
| Wen-Tung Chou                              | Chairman of the Company                 |
| Wen-Po Yang                                | Director of the Company                 |
| Ming-Yi Lai                                | Vice president of the Company           |
| Acegreen Eco-Material Technology Co., Ltd. | 100% wholly owned subsidiary            |
| Acenature Biotechnology Co., Ltd.          | 100% wholly owned subsidiary            |
| Jukang Life Co., Ltd.                      | Our Vice President is also the Chairman |

Acelon Chemicals & Fiber Corporation is the parent company and ultimate controller of the consolidated company.

The amount and balance of transactions between Acelon Chemicals & Fiber Corporation and its subsidiaries (related-parties) were eliminated when the consolidated financial report was being prepared and are not disclosed in the Note.

## (II) Related party transaction details of the Company are disclosed as follows:

1. Accounts receivable

| Name of the related parties | 2023.12.31 | 2022.12.31 |
|-----------------------------|------------|------------|
| Jukang Life Co., Ltd.       | \$ —       | \$ 233     |
|                             | \$ —       | \$ 233     |

2. Operating revenue

| Name of the related parties | 2023   | 2022     |
|-----------------------------|--------|----------|
| Jukang Life Co., Ltd.       | \$ 716 | \$ 1,009 |
|                             | \$ 716 | \$ 1,009 |

The Company's sales to related parties adopt the pricing in regular sales.

3. Other income

| Name of the related parties | 2023 | 2022 |
|-----------------------------|------|------|
| Jukang Life Co., Ltd.       | \$ — | \$ 5 |
|                             | \$ — | \$ 5 |

There are no material abnormalities in the purchase prices of the related parties compared to that of non-related parties.

4. Endorsement and guarantee

(1)The details of the amount of guarantee provided by the Company for related parties to apply for bank loans are as follows:

|  | 2023.12.31   | 2022.12.31   |
|--|--------------|--------------|
|  | Amount       | Amount       |
| Acegreen Eco-Material Technology Co., Ltd. | \$ 1,250,000 | \$ 1,294,015 |

(2)The Company and Chairman Wen-Tung Chou serve as the joint guarantors for loans to the Company's subsidiary Acegreen Eco-Material Technology Co., Ltd.

(3)Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai and the subsidiary Acegreen Eco-Material Technology Co., Ltd. serve as joint guarantor for the issue of 2017 first series secured corporate bonds, and the joint guarantee was terminated in January 2022.

(4)Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai serve as joint guarantors for the Company's borrowings.

5. Others

The shareholder general meeting held on June 20, 2001 resolved that 1% of guarantee amount provided by directors and supervisors for the Company's borrowings should be appropriated as joint guarantee remuneration for directors and supervisors, calculated according to the separate guarantee period. Starting in October 2003, 1% remuneration was reduced to 0.5% for credit loans, and for pledged loans, the 0.5% remuneration was reduced to 0.25%. In 2023 and 2022, the joint guarantee remuneration for directors and supervisors were NT\$1,623 thousand and NT\$869 thousand, respectively.

6. Compensation of key management personnel

|                              | 2023             | 2022             |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 13,231        | \$ 14,344        |
| Post-employment benefits     | 88               | 51               |
|                              | <u>\$ 13,319</u> | <u>\$ 14,395</u> |

#### VIII. Pledge assets

The breakdown of assets pledged by the Company as collaterals are as follows:

| Asset name  | 2023.12.31        | 2022.12.31        | Purpose   |
|---|-------------------|-------------------|---|
| Notes receivable                                    | \$ 64,504         | \$ 57,227         | Short-term and long-term loans                                  |
| Other financial assets<br>(current and non-current) | 75,763            | 81,386            | Short-term and long-term loans,<br>technology project guarantee |
| Property, plant and<br>equipment                    | 800,543           | 820,970           | Short-term and long-term loans                                  |
|   | <u>\$ 940,810</u> | <u>\$ 959,583</u> |   |

#### IX. Material contingent liabilities and unrecognised contractual commitments

(I) As of December 31, 2023, the balance of unused letters of credit issued by the Company for imported raw materials or equipment included NTD 258,725 thousand, USD173 thousand, and JPY 16,300 thousand.

(II) The Company acted as the guarantor for endorsement of the subsidiary Acegreen Eco-Material Technology Co., Ltd. to take loans from Mega International Commercial Bank, at NT\$100,000 thousand; Mega Bills Finance, at NT\$1,100,000 thousand; and Taichung Commercial Bank, at NT\$50,000 thousand (totaling NT\$1,250,000 thousand).

(III) As of December 31, 2023, the Company has the following pending lawsuits:

(1) In the filed patent infringement lawsuit between the subsidiary Acegreen Eco-Material Technology and (referred to as Acegreen) and Lenzing Taiwan Fibers of Austria, Lenzing claimed that the production technology implemented by Acegreen has infringed on Lenzing's patent. Therefore, Lenzing pleaded to have Acegreen and its representatives destroy the products made with the patented process and pay NT\$10,000 thousand in joint and several damages. The court compares the patent infringement and reviewing and judges the validity of the patent for the pending litigation. The lawyers have estimated that may be subject to a maximum amount of NT\$10,000 thousand in loss plus interest and litigation costs. The litigation in this case is pending before the court for adjudication and judgment regarding patent infringement and patent validity. On November 21, 2023, Acegreen and Lenzing agreed to cease litigation.

(2) The subsidiary Acegreen filed a complaint with the Intellectual Property Office on March 11, 2021, arguing that the implementation of No. 183025 Taiwan patent owned by Lenzing was impossible or difficult, and filed an appeal with the Ministry of Economic Affairs on January 3, 2023 upon receiving the invalidation approval document. Acegreen then filed a statement of reasons on January 19, 2023, and another statement of reasons on March 17, 2023, arguing that the description of the patent and part of the claims have grounds for revoking the patent. On June 28, 2023, the decision of the Ministry of Economic Affairs to reject the appeal was made. Acegreen then filed an administrative lawsuit with the Intellectual Property Court on August 25, 2023. The case is now pending court review.

(IV) We intend to purchase new production equipment for the needs of business expansion. Contracts worth a total amount of NT\$249,420 thousand (including tax) have been signed for the purchase of property, plants

and equipment. As of December 31, 2023, a purchase amount of NT\$69,559 thousand (including tax) has not been paid.

X. Losses due to material disasters: None.

XI. Material subsequent issues:

For operational needs, the board of directors of our company resolved on January 26, 2024, to establish a new subsidiary. The proposed registered capital for the subsidiary is NT\$200,000 thousand. The chairman is duly authorized to inject capital into the subsidiary in installments, as per actual operational needs, within the specified limit. The establishment of the subsidiary was completed on February 29, 2024.

XII. Others:

Financial instruments

(I)Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest (excluding long-term and short-term borrowings) and excluding the impact of netting agreements for derivative liabilities:

|  | 2023.12.31          |                       |                   |                     |                  |
|--|---------------------|-----------------------|-------------------|---------------------|------------------|
|  | Carrying amount     | Contractual cash flow | Within 1 year     | 1 to 5 years        | Over 5 years     |
| <b><u>Non-derivative financial liabilities</u></b> |                     |                       |                   |                     |                  |
| Short-term borrowings                              | \$ 335,599          | \$ 335,599            | \$ 335,599        | \$ —                | \$ —             |
| Accounts payable                                   | 379,224             | 379,224               | 379,000           | 224                 | —                |
| Bank borrowings (including current portion)        | 147,278             | 147,278               | 60,918            | 69,215              | 17,145           |
| Long-term notes payable                            | 1,045,239           | 1,050,000             | —                 | 1,050,000           | —                |
| Lease liabilities -- (Current and non-current)     | 30,830              | 32,624                | 6,503             | 19,837              | 6,284            |
|  | <u>\$ 1,938,170</u> | <u>\$ 1,944,725</u>   | <u>\$ 782,020</u> | <u>\$ 1,139,276</u> | <u>\$ 23,429</u> |
| <b><u>Non-derivative financial liabilities</u></b> |                     |                       |                   |                     |                  |
|  |                     |                       | 2022.12.31        |                     |                  |
|  | Carrying amount     | Contractual cash flow | Within 1 year     | 1 to 5 years        | Over 5 years     |
| Short-term borrowings                              | \$ 334,473          | \$ 334,473            | \$ 334,473        | \$ —                | \$ —             |
| Accounts payable                                   | 381,707             | 381,707               | 381,260           | 447                 | —                |
| Bank borrowings (including current portion)        | 245,816             | 245,816               | 100,340           | 126,246             | 19,230           |
| Long-term notes payable                            | 855,975             | 860,000               | —                 | 860,000             | —                |
| Lease liabilities -- (Current and non-current)     | 26,258              | 28,443                | 5,251             | 14,103              | 9,089            |
|  | <u>\$ 1,844,229</u> | <u>\$ 1,850,439</u>   | <u>\$ 821,324</u> | <u>\$ 1,000,796</u> | <u>\$ 28,319</u> |

The Company does not expect that the cash flow analyzed for the maturity date will be significantly earlier or the actual amount will be significantly different.

(II)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk and interest rate risk.

1.Foreign exchange risk

Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

We have certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables. Therefore natural hedge is received. We also use forward



contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. The aforementioned natural hedge and forward exchange contract in managing exchange risk does not comply with the rules of hedge accounting, so we have not adopted hedge accounting.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk and interest rate risk.

## 2. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from floating-rate loans.

## 3. The pre-tax sensitivity analysis of related risk changes in 2023 and 2022 is as follows:

| 2023                  |                                 |                            |
|-----------------------|---------------------------------|----------------------------|
| Major risks           | Fluctuation                     | Profit or loss sensitivity |
| Foreign exchange risk | NTD/USD exchange rate +/- 1%    | 3,065 thousand             |
| Interest rate risk    | Market rate +/- 10 basis points | 1,528 thousand             |
| 2022                  |                                 |                            |
| Major risks           | Fluctuation                     | Profit or loss sensitivity |
| Foreign exchange risk | NTD/USD exchange rate +/- 1%    | 3,686 thousand             |
| Interest rate risk    | Market rate +/- 10 basis points | 1,436 thousand             |

## (III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair value, including the carrying amounts of financial assets and liabilities measured at amortised cost as reasonable approximation of fair value.

3. For financial assets traded in an active market, their fair value is determined based on market quotation price on the balance sheet date. When quotes are readily and regularly available from a stock exchange, dealer, broker, industry, rating agency or regulatory agency, and such quotes represent actual and regular market transactions on an arm's length basis, the market is considered an active market. The quoted price of financial assets held by the Group is the closing price, and the instruments are considered in Level 1. Level 1 instruments primarily include equity instruments and debt instruments, which are classified as financial assets and liabilities at fair value measurement through profit or loss.

4. For financial instruments that are not traded in an active market (such as derivatives traded over the

counter), the fair value is determined using valuation techniques. Valuation techniques use as much possible observable market data (if available) and rely as little as possible on company-specific estimates. If all significant inputs required to calculate fair value of an instrument are observable, the instrument is included in Level 2.

5.If one or more significant inputs are not obtained based on observable market data, the financial instrument is in Level 3.

6.Specific valuation techniques used to value financial instruments include:

(1)Open market quotations or dealer quotations for instruments of the same type.

(2)The fair value of interest rate exchange is the present value of the estimated future cash flow discounted according to the observable yield curve.

(3)The fair value of a forward exchange contract is determined by discounting the forward exchange rate on the balance sheet date to the present value.

(4)Other valuation techniques to determine the fair value of other financial instruments, such as discounted cash flow analysis.

(5)The stocks of companies that are unlisted or are not traded over-the-counter use methods such as the asset-based approach to re-measure the changes in values of assets and liabilities on each financial reporting date.

7.There were no transfers between Level 1 and 2 in the periods between January 1 and December 31, 2023 and 2022.

8.Between January 1 and December 31, 2023 and 2022, there were no transfers in or out of Level 3.

9.Fair value information: Types and fair values of financial instruments

The non-current financial assets at fair value measurement through profit or loss and current financial liabilities at fair value measurement through profit or loss are financial instruments at fair value on a recurring basis. The carrying amount and fair value (if the carrying amount of a financial instrument not measured at fair value is a reasonable approximation to fair value, it is not required to disclose the fair value information according to regulations) of various financial assets and financial liabilities are shown as follows:

|  |    | 2023.12.31         |            |         |         |        |
|--|----|--------------------|------------|---------|---------|--------|
|  |    | Carrying<br>amount | Fair value |         |         |        |
|  |    |                    | Level 1    | Level 2 | Level 3 | Total  |
| Financial assets at fair value measurement through profit or loss              |    |                    |            |         |         |        |
| Financial Asset at fair value measurement through Profit or Loss - Non-Current | \$ | 914                | \$ —       | \$ —    | \$ 914  | \$ 914 |

|  | 2022.12.31         |            |         |         |        |
|--|--------------------|------------|---------|---------|--------|
|  | Carrying<br>amount | Fair value |         |         |        |
|  |                    | Level 1    | Level 2 | Level 3 | Total  |
| Financial assets at fair value measurement<br>through profit or loss                 |                    |            |         |         |        |
| Financial Asset at fair value<br>measurement through Profit or Loss -<br>Non-Current | \$ 914             | \$ —       | \$ —    | \$ 914  | \$ 914 |

(IV) Financial risk management

The credit risk of bank deposits, fixed-income investments and other financial instruments is measured and monitored by the Finance Department of the company. Since the counterparties of transactions and contract performance are all creditworthy banks and financial institutions, corporate organizations, and government agencies with investment grades and above, so there is no material concern with the performance of the contract, and there is no material credit risk.

(V) Significant influence on financial assets and liabilities denominated in foreign currencies

Company's significant influence on financial assets and liabilities denominated in foreign currencies:

|                                  | 2023.12.31          |                  | 2022.12.31          |                  |
|----------------------------------|---------------------|------------------|---------------------|------------------|
|                                  | Foreign<br>currency | Exchange<br>rate | Foreign<br>currency | Exchange<br>rate |
| <u>Financial assets</u>          |                     |                  |                     |                  |
| Monetary items                   |                     |                  |                     |                  |
| US dollars                       | \$ 9,984            | 30.77            | \$ 12,454           | 30.84            |
| Euro                             | —                   | —                | 47                  | 32.19            |
| Non-monetary<br>items            |                     |                  |                     |                  |
| Japanese yen                     | —                   | —                | 27,552              | 0.24             |
| Euro                             | —                   | —                | —                   | —                |
| <u>Financial<br/>liabilities</u> |                     |                  |                     |                  |
| Monetary items                   |                     |                  |                     |                  |
| US dollars                       | \$ —                | —                | \$ 502              | 31.42            |
| Japanese yen                     | —                   | —                | 24,000              | 0.24             |
| Non-monetary<br>items            |                     |                  |                     |                  |
| US dollars                       | 99                  | 30.94            | 190                 | 30.67            |

XIII. Supplementary Disclosures

For 2023, the re-disclosure of relevant information on significant transactions in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers is shown as follows:

(I) Significant transactions information

1. Loans to others: Table 1.
2. Provision of endorsements and guarantees to others: Table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Table 6.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT \$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of property exceeding NT \$300 million or 20% of paid-in capital or more: None.
6. Disposal of property exceeding NT \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Financial instruments and derivative transactions: None.
10. Significant inter-company transactions during the reporting period: Table 3.

(II) Information on investees:

Names, locations and other information of investee companies: Table 4.

(III) Information on investments in China: None.

(IV) Information on principal shareholders: Table 5.

XIV. Operating Segments Information

(I) Operating segment information: The Company is considered a single operating segment, and the basis for measuring profit and loss, assets and liabilities of the operating segment is the same as the basis for preparing financial statements.

(II) Geographical information:

| Regions  | 2023                |              | 2022                |              |
|----------|---------------------|--------------|---------------------|--------------|
|          | Amount              | Percentage   | Amount              | Percentage   |
| Americas | \$ 1,391,110        | 56.7         | \$ 1,922,111        | 69.0         |
| Asia     | 853,047             | 34.8         | 782,684             | 28.1         |
| Europe   | 207,122             | 8.4          | 77,243              | 2.8          |
| Africa   | 2,392               | 0.1          | 3,388               | 0.1          |
|          | <u>\$ 2,453,671</u> | <u>100.0</u> | <u>\$ 2,785,426</u> | <u>100.0</u> |

(III) Financial information by industry: The Company is in a single textile industry, so it is not applicable.

(IV) Information on major customers: We do not have any single customer who accounts for more than 10% of revenue, so this does not apply.

Table 1  
Loans to others  
2023

(In Thousands of New Taiwan Dollars)

| Code<br>(Note 1) | Company<br>that lent<br>funds | Borrowing<br>party                                  | General<br>ledger<br>account<br>(Note 2) | Related<br>party? | Maximum<br>balance of the<br>period<br>(Note 3) | Ending<br>balance<br>(Note 8) | Actual<br>amount<br>drawn<br>down<br>(Note 9) | Range of<br>interest<br>rate | Nature of<br>loan<br>(Note 4) | Amount of<br>transaction<br>with<br>borrower<br>(Note 5) | Reason for<br>short-term<br>financing<br>(Note 6) | Amount of<br>recognized<br>allowance<br>for bad<br>debts | Collateral |         | Limit on loans<br>granted to a<br>single party<br>(Note 7) | Ceiling on<br>total loan<br>granted<br>(Note 7) |
|------------------|-------------------------------|---|--|-------------------|---|-------------------------------|---|------------------------------|-------------------------------|--|---|--|------------|---------|--|---|
|                  |                               |   |  |                   |   |                               |   |                              |                               |  |   |  | Item       | Value   |  |   |
| 0                | The<br>Company                | Acegreen<br>Eco-Material<br>Technology<br>Co., Ltd. | Other<br>receivables                     | Yes               | 350,000   | 200,000                       | —   | 2.48%                        | Short-term<br>financing       | --   | Business<br>operations                            | —  | None       | 577,428 | 577,428  |   |

Note 1: The explanation of the Code column is as follows:

(1) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Accounts receivable from affiliates and related parties, shareholders' transactions, prepayments, temporary payments and others must be filled in this field if they are considered loans in nature.

Note 3: Maximum balance of funds loaned to others in the current year.

Note 4: The nature of the loan should be listed as business transactions or those that have the needs for short-term financing.

Note 5: If the nature of the loans is business transactions, the amount of transactions should be filled in. The amount of transactions refers to the amount between the company which provides the loans and the borrower.

Note 6: If the nature of the loans is short-term financing, the reasons for borrowing and the purposes of the loans must be specified, such as repayment of loans, purchase of equipment, business operations and others.

Note 7: Procedures for Lending Funds to Others:

(I) A company with which the Company has business dealings:

1. Restriction on the total amount of loans: No more than 20% of the shareholders' equity in the Company's latest financial statement.
2. Limits for a single enterprise: Evaluated based on the amount of business transactions between the enterprise and the Company in the last 6 months, not exceeding 10% of the shareholder's equity in the Company's latest financial statement.

(II) There is a need for short-term financing:

1. Restriction on the total amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.
2. Limits for a single enterprise: Evaluated based on the working capital needs of the Company within 1 year, not exceeding 40% of the shareholder's equity in the Company's latest financial statement.

(III) Restriction on the cumulative amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.

(IV) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned (I) and (II) paragraphs. However, the total amount of loans shall not exceed the Company's shareholders' equity in the latest financial statements, and the

loan period and interest calculation shall comply with the provisions of Article 6 of the procedures.

Note 8: If a publicly traded company wishes to propose the entries of loans to the board for resolution in accordance with Paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amounts determined by the board shall be listed in the announced balance before the disbursement of loans to disclose the risks the Company undertakes. The remaining balances after repayments should also be disclosed to reflect the adjustment of risks. According to Paragraph 2, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, once the board authorizes the chairman to issue the loans in multiple disbursements at a specific amount within a year or in a revolving credit line, the limit of the loan authorized by the board should still be put in the public announcement.

This is in consideration of the fact that loans may be given out again after the repayments, so the amounts determined by the board shall be listed in the announced balance. Note 9: It has been eliminated when preparing this consolidated financial report.

Table 2

## Provision of endorsements and guarantees to others

2023

(In Thousands of New Taiwan Dollars)

| Code<br>(Note 1) | Endorser/<br>Guarantor | Party being<br>endorsed/guaranteed                  |   | Limit on<br>endorsements/<br>guarantees<br>provided for<br>a single party<br>(Note 3) | Maximum<br>outstanding<br>endorsement/<br>guarantee<br>amount for<br>the period<br>(Note 4) | Outstanding<br>endorsement/<br>guarantee<br>amount for<br>the period<br>(Note 5) | Actual<br>amount<br>drawn down<br>(Note 6) | Amount of<br>endorsements/<br>guarantees<br>secured with<br>collateral | Percentage of<br>accumulated<br>guarantee<br>amount to net<br>asset value of<br>the<br>endorser/guar<br>antor<br>company | Ceiling on<br>total amount<br>of<br>endorsements<br>/guarantees<br>provided<br>(Note 3) | Provision of<br>endorsements<br>/guarantees<br>by parent<br>company to<br>subsidiary | Provision of<br>endorsements<br>/guarantees<br>by subsidiary<br>to parent<br>company | Provision of<br>endorsements<br>/guarantees to<br>the party in<br>China |
|------------------|------------------------|---|---|---|---|--|--|--|--|---|--|--|---|
|                  |                        | company<br>name                                     | Relations<br>hip with<br>the<br>Company<br>(Note 2) |   |   |  |  |  |  |   |  |  |   |
| 0                | The<br>Company         | Acegreen<br>Eco-Material<br>Technology<br>Co., Ltd. | 2   | 1,732,284   | 1,350,000   | 1,250,000  | 855,320                                    | 117,722  | 86.59%   | 1,732,284   | Y  |  |   |

Note 1: The explanation of the Code column is as follows:

(1) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:

(1) A company with which it has business dealings.

(2) The Company directly or indirectly holds more than 50% of the voting shares of the other company.

(3) The other company directly or indirectly holds more than 50% of the voting shares of the Company.

(4) The Company directly or indirectly holds more than 90% of the voting shares of the other company.

(5) Companies that are mutually protected due to mutual endorsement between industry partners or joint construction builders based on the needs of the project.

(6) A company endorsed or guaranteed by all contributing shareholders in the order of their shareholding proportion for a co-investment relationship.

(7) Industry partners who are engaged in the sales of pre-construction homes and conduct joint guarantee for the performance of contracts based on the Consumer Protection Act.

Note 3: (1) The guarantee amount of Acelon Chemicals &amp; Fiber's endorsement of a single enterprise is capped at 80% of Acelon's shareholders' equity in the latest financial statements. The total guarantee amount of Acelon Chemicals &amp; Fiber's endorsement is capped at 100% of Acelon's shareholders' equity in the latest financial statements.

(2) The guarantee amount of Acegreen Eco-Material Technology's endorsement of a single enterprise is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the amount of guarantee for endorsement is capped at 150% of Acegreen's net worth. The total guarantee amount of Acegreen Eco-Material Technology's endorsement is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the total amount of guarantee for endorsement is capped at 150% of Acegreen's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the board. However, if the board authorizes the chairman to make decisions in accordance with Paragraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount is considered the chairman's decision.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by the listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in China.



Table 3: Significant inter-company transactions during the reporting period  
December 31, 2023

(In Thousands of New Taiwan Dollars)

| Code<br>(Note 1) | Company Name                         | Counterparty                                  | Relationship<br>(Note 2) | Status of transaction   |        |  | Percentage (%) of<br>consolidated total<br>operating revenues or<br>total assets (Note 3) |
|------------------|--------------------------------------|---|--------------------------|---|--------|--|---|
|                  |                                      |   |                          | General ledger account  | Amount | Transaction terms                                |   |
| 0                | Acelon Chemicals & Fiber             | Acegreen Eco-Material<br>Technology Co., Ltd. | 1                        | Manpower support for<br>other companies<br>(including deduction in<br>costs and expenses) | 4,836  | Subject to general transaction<br>terms (Note 4) | 0.2%  |
| 0                | Acelon Chemicals & Fiber             | Acegreen Eco-Material<br>Technology Co., Ltd. | 1                        | Operating revenue   | 4,622  | Subject to general transaction<br>terms (Note 4) | 0.2%  |
| 0                | Acelon Chemicals & Fiber             | Acegreen Eco-Material<br>Technology Co., Ltd. | 1                        | Other income  | 2,851  | Subject to general transaction<br>terms (Note 4) | 0.1%  |
| 0                | Acelon Chemicals & Fiber             | Acenature Biotechnology<br>Co., Ltd.          | 1                        | Manpower support for<br>other companies<br>(including deduction in<br>costs and expenses) | 1,087  | Subject to general transaction<br>terms (Note 4) | —   |
| 0                | Acelon Chemicals & Fiber             | Acenature Biotechnology<br>Co., Ltd.          | 1                        | Operating revenue   | 9,993  | Subject to general transaction<br>terms (Note 4) | 0.4%  |
| 2                | Acenature Biotechnology<br>Co., Ltd. | Acegreen Eco-Material<br>Technology Co., Ltd. | 3                        | Incoming finished goods   | 7,437  | Subject to general transaction<br>terms (Note 4) | 0.3%  |
| 2                | Acenature Biotechnology<br>Co., Ltd. | Acegreen Eco-Material<br>Technology Co., Ltd. | 3                        | Operating revenue   | 2,973  | Subject to general transaction<br>terms (Note 4) | 0.1%  |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is "0".

2. The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of categories each case belongs to (If transactions between the parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

1. Parent company to subsidiary.

2. Subsidiary to parent company.

3. Subsidiary to subsidiaries.

Note 3: Regarding the percentage of the transaction amount to consolidated total operating revenues or total assets, it is computed based on the period-end balance of the transaction to the consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to the consolidated total operating

revenues for income statement accounts

Note 4: The Group considers the operating status of the parent company as a whole, so there are no restrictions on the payment terms.

Table 4

Names, locations and other information of investee companies (2023)

| Name of Investor | Investee<br>(Note 1 and 2) | Location                | Main business activities             | Initial investment amount        |                          | Shares held as of the end of period |           |                 | Net profit (loss) of the investee for the current period (Note 2 (2)) | Investment income(loss) recognized by the Company for the current period (Note 2 (3)) | Remarks |
|------------------|----------------------------|-------------------------|--------------------------------------|----------------------------------|--------------------------|-------------------------------------|-----------|-----------------|---|---|---------|
|                  |                            |                         |                                      | Balance at the end of the period | End of the previous year | Number of Shares                    | Ownership | Carrying amount |   |   |         |
| The Company      | Acegreen Eco-Material      | Changhua County, Taiwan | Manufacturing and sales of non-woven | 750,000                          | 750,000                  | 52,000,000                          | 100.0%    | 199,517         | (47,274)  | Subsidiaries (Note 3)   |         |
| The Company      | Acenature Biotechnology    | Changhua County, Taiwan | Manufacturing and sales of non-woven | 27,500                           | 27,500                   | 3,000,000                           | 100.0%    | 30,897          | (353)   | Subsidiaries (Note 3)   |         |
| The Company      | ADVANCE WISDOM LTD.        | Seychelles              | Offshore holding company             | 17,307 (USD542 thousand)         | 17,307 (USD542 thousand) | —                                   | 20.0%     | 13,135          | (574)   | Investments accounted for using equity method   |         |
| The Company      | ALPHA BRAVE INC.           | Seychelles              | Offshore holding company             | 17,050 (USD534 thousand)         | 17,050 (USD534 thousand) | —                                   | 20.0%     | 12,974          | (569)   | Investments accounted for using equity method   |         |
| The Company      | TIME GLORY CORP.           | Seychelles              | Offshore holding company             | 20,036 (USD625 thousand)         | 20,036 (USD625 thousand) | —                                   | 11.1%     | 15,866          | (636)   | Investments accounted for using equity method   |         |
| The Company      | CHAMPION LEGEND CORP.      | Seychelles              | Offshore holding company             | 16,358 (USD510 thousand)         | 16,358 (USD510 thousand) | —                                   | 19.1%     | 12,994          | (491)   | Investments accounted for using equity method   |         |

Note 1: If the futures exchange organized as a company has an offshore holding company and uses the consolidated financial report as the main financial report in accordance with the local laws and regulations, the disclosure of the overseas invested company may only disclose the relevant information of the holding company.

Note 2: Those that are not as described in Note 1 shall be filled in accordance with the following rules:

- (1) "Investee," "Location," "Main business activities," "Initial investment amount" and "End-of-year shareholdings" are to be filled on order of the Company and its re-investment and all investees either directly or indirectly invested and the further re-investment. The relation (either subsidiaries or second-tier subsidiaries) between investees and the Company is to be specified in the remarks field.
- (2) The field of "Net profit (loss) of the investee for the year ended" shall have the profit or loss of each investee filled in.
- (3) The field of "Investment income (loss) recognized by the Company for the year ended" only requires the Company to recognize the directly-invested subsidiaries and the profit or loss incurred by adopting the equity method, and the rest can be omitted. When filling in "Recognition of profit or loss in directly-invested subsidiaries for the year", make sure that the profit or loss of subsidiary have included their own profit or loss incurred in their re-investment.

Note 3: It has been eliminated when preparing this consolidated financial report.

Table 5: Information on principal shareholders  
2023:

Unit: Thousand shares

| Name of Principal Shareholders | Shares | Number of shares      | Percentage of ownership (%) |
|--------------------------------|--------|-----------------------|-----------------------------|
| Honghou Investment             |        | 7,432 thousand shares | 6.68%                       |
| Shao-Hua Chou                  |        | 6,578 thousand shares | 5.91%                       |
| Ming-Yi Lai                    |        | 6,047 thousand shares | 5.43%                       |

Note: If the Company applies to the TDCC for the information in this table, it may explain the following matters in the notes attached to this table:

- (1) The information on principal shareholders presented in this schedule is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the Company's financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

Table 6: Holding of marketable securities at the end of the period (not including subsidiaries, interests in joint ventures)

(In Thousands of New Taiwan Dollars)

| Company name of the shareholding  | Marketable securities (Note 1) | Relationship (Note 2)  | General ledger account   | End of period               |                          |                             | Remarks |
|-----------------------------------|--------------------------------|--|--|-----------------------------|--------------------------|-----------------------------|---------|
|                                   |                                |  |  | Number of shares (thousand) | Carrying amount (Note 3) | Percentage of ownership (%) |         |
| Acenature Biotechnology Co., Ltd. | Jukang Life Co., Ltd.          | The Company's key managerial officer is the chairman of that company | Financial Asset at fair value measurement through Profit or Loss - Non-Current | 285                         | 914                      | 19.00%                      | 914     |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, Financial Instruments

Note 2: The box is exempt if the issuer of the negotiable securities is not a related person.

Note 3: Fair value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. Fair value is determined based on the acquisition cost or amortised cost less accumulated impairment for marketable securities not measured at fair value.

Note 4: If the listed negotiable securities are restricted due to being used as a guarantee, pledge or other agreements, the remark box shall be filled with a description to clarify the number of shares as guarantee or borrowings or the amount and restrictions.

## V. 2023 Parent Company Only Financial Statements certified by the CPAs



EnWise CPAs & Co.  
EnWise CPAs & Co.  
8F-1, No. 130, Taiyuan North Road, North District, Taichung City, 404  
Tel: (04) 2296-6234 Fax: (04)2296-0607



### Independent Auditor's Report

Acelon Chemicals & Fiber Co., Ltd.

#### **Opinion**

We have audited the accompanying parent-only balance sheets of Acelon Chemicals & Fiber Corporation as of December 31, 2023 and 2022, and the related parent-only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, as well as the notes to the parent-only financial statements (including a summary of material accounting policies).

In our opinion, based on our audits and the reports of the other independent auditors, as described in the other matters section of our report, the parent-only financial statements present fairly, in all material respects, the standalone financial position of Acelon Chemicals & Fiber as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

#### **Basis for Opinions**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing principles generally accepted. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Parent-Only Financial Statements section of our report. We are independent of Acelon Chemicals & Fiber in accordance with the Professional Ethics for Certified Public Accountant and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-only financial statements of Acelon Chemicals & Fiber



for the fiscal year 2023. These matters were addressed in the context of our audit of the parent-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the parent-only financial statements of Acelon Chemicals & Fiber for the year ended December 31, 2023 are stated as follows:

I. Operating revenue recognized

The management level faces pressure on operational objectives, market scale and competition and asset impairment assessment on whether the revenue meets the operational objectives, and Acelon Chemicals & Fiber is in an industry susceptible to many factors such as market supply and demand, so they are all listed as key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Test the effectiveness of the design and implementation of the internal control system for the sales and collection cycle, and assess whether the revenue recognition is appropriate.
2. Analyze the differences in two periods of sales to the top ten clients of Acelon Chemicals & Fiber, and assess the rationality.
3. Conduct the sales revenue transaction test for the top ten new sales customers in the current period, and verify whether the collection and reversal counterparties are consistent with the counterparties of the sales.
4. Analyze significant or unexpected changes and trends based on objective and independent data, compare sales revenue and returns in previous and current trends, cost of goods sold and gross profit in previous and current trends, and trends analysis of previous and current delivery volume.
5. Understand whether there is any material change in revenue during the period before and after the financial report date, and whether there is a material sales return or discount, and analyze the reasons.

II. Subsequent measurement of inventory

As of December 31, 2023, the net inventory of Acelon Chemicals & Fiber was





NT\$568,302 thousand. As the introduction of new products may lead to material changes in market demand, or that the updates in production technology may make the original products no longer meet the market demand, the management must assess the loss in net realisable value due to inventory write-off from inventory obsolescence. Since the amount of inventory is large, its obsolescence involves material judgments by the management, so it is listed as our one of our key audit matters.

Our key audit procedures performed in response to the above matters are described as follows:

1. Assess the internal control protocols of operating costs, check the transaction records and relevant source documents to determine the integrity of transaction records, the classification of inventory and operating costs, and reliability of inventory and records.
2. Spot check the purchase transaction records of the ending inventory, and test whether the unit price and calculation are correct.
3. Calculate the growth rates of inventory and cost of goods sold and compare them with the growth rate of operating income in the same period to see if the change trend is reasonable.
4. Check the reports related to the inventory age, analyze the changes in the inventory age, and assess whether the subsequent measurement of the inventory has been handled in accordance with its accounting policy.
5. Understand and assess the reasonableness of the net realisable value basis adopted by management.

### III. Impairment of property, plant and equipment

Acelon Chemicals & Fiber mainly produces nylon yarns, polyester yarns, processed yarns and other related products. Due to market saturation after long-term development, the sales momentum is easily affected by the economy. The recoverability of the book value of such assets depends on the forecast of future operating cash flow, discount rate and growth rate. These require significant judgments by the management and have a high degree of uncertainty in estimation. Therefore, they are listed as our key audit matters.



Our key audit procedures performed in response to the above matters are described as follows:

1. Obtained the asset impairment assessment statement or projected income statement prepared by Acelon Chemicals & Fiber for the business units to which the cash-generating units belong.
2. Assess the rationality of the management of Acelon Chemicals & Fiber in identifying signs of impairment, as well as the assumptions and sensitivities used, including the appropriateness of cash-generating units differentiated, cash flow forecasts, and discount rates.

### **Other Matters – Making Reference to the Audits of Component Auditors**

Among the investee companies included in the above-mentioned parent-only financial report, the financial statements of the invested affiliates have not been audited by us, but have been audited by other accountants. Therefore, in the opinions expressed by us on the abovementioned parent-only report, the amount listed in the financial statements of the invested affiliates is based on the audit report produced by other accountants. The balance of investments accounted for using equity method as of December 31, 2023 and 2022 was NT\$54,969 thousand and NT\$58,688 thousand, respectively, accounting for 2.2% and 2.3% of the total parent-only assets, respectively; the share of losses of associates recognized using the equity method from January to December 31, 2023 and 2022 was NT\$(2,270) thousand and NT\$(1,837) thousand, accounting for 1.4% and 3.0% of the parent-only comprehensive income, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent-Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-only financial statements, management is responsible for assessing



Acelon Chemicals & Fiber's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing Acelon Chemicals & Fiber's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent-Only Financial Statements**

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

As part of an audit in accordance with the auditing principles, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also conduct the following tasks:

1. Identify and assess the risks of material misstatement of the parent-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of



accounting and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Acelon Chemicals & Fiber to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-only financial statements, including the accompanying notes, and whether the parent-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the invested associated using the equity method to express an opinion on the parent-only financial statements. We are responsible for the direction, supervision and performance of the audit for the invested associates. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



EnWise CPAs & Co.  
CPA: Ching-Yi Chen

EnWise CPAs & Co.  
CPA: Yong-Ren Tsao

Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number: (88)  
Tai-Tsai-Zheng (6) 55000

Securities and Futures Bureau of Financial  
Supervisory Commission, Executive Yuan  
Approval Document Number:  
Jin-Guan-Zheng (6) #0980018119

March 15, 2024

#### Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail.

# Acelon Chemicals & Fiber Co., Ltd.

## Parent-Only Balance Sheets

As of December 31, 2023 and 2022



(In Thousands of New Taiwan Dollars)

| Assets                 |                                      |               | December 31, 2023   |              | December 31, 2022   |              |
|------------------------|--------------------------------------|---------------|---------------------|--------------|---------------------|--------------|
| Code                   | Description                          | Note          | Amount              | %            | Amount              | %            |
| 11xx                   | Current assets                       |               |                     |              |                     |              |
| 1100                   | Cash and cash equivalents            | 4 and 6       | \$ 101,908          | 4.1          | \$ 203,066          | 8.1          |
| 1150                   | Notes receivable, net                | 4, 6, 7 and 8 | 65,866              | 2.6          | 55,520              | 2.2          |
| 1170                   | Accounts receivable, net             | 4, 5, 6 and 7 | 285,549             | 11.4         | 289,696             | 11.5         |
| 1200                   | Other receivables                    | 6 and 7       | 14,481              | 0.6          | 39,520              | 1.6          |
| 130x                   | Inventories                          | 4, 5 and 6    | 568,302             | 22.7         | 534,245             | 21.2         |
| 1410                   | Prepayments                          |               | 54,900              | 2.2          | 54,171              | 2.1          |
| 1476                   | Other financial assets - Current     | 4 and 8       | 72,769              | 2.9          | 65,380              | 2.6          |
| 1479                   | Other current assets - Others        |               | 1,392               | 0.1          | 1,168               | -            |
| 11xx                   | <b>Total Current Assets</b>          |               | <b>1,165,167</b>    | <b>46.6</b>  | <b>1,242,766</b>    | <b>49.3</b>  |
| 15xx                   | Non-current assets                   |               |                     |              |                     |              |
|                        | Investments accounted for            |               |                     |              |                     |              |
|                        | using equity method                  | 4 and 6       | 285,383             | 11.4         | 338,019             | 13.4         |
| 1550                   | Property, plant and equipment.       | 4, 5, 6 and 8 | 962,076             | 38.5         | 865,900             | 34.3         |
| 1755                   | Right-of-use assets                  | 4 and 6       | 30,943              | 1.3          | 26,537              | 1.1          |
| 1780                   | Intangible assets                    | 4 and 5       | 234                 | -            | 370                 | -            |
| 1840                   | Deferred tax assets                  | 4, 5 and 6    | 35,271              | 1.4          | 22,849              | 0.9          |
| 1900                   | Other non-current assets             | 6             | 20,028              | 0.8          | 16,680              | 0.7          |
|                        | Other financial assets -             |               |                     |              |                     |              |
| 1980                   | Non-current                          | 4 and 8       | 420                 | -            | 8,636               | 0.3          |
| 15xx                   | <b>Total Non-Current Assets</b>      |               | <b>1,334,355</b>    | <b>53.4</b>  | <b>1,278,991</b>    | <b>50.7</b>  |
|                        | <b>Total assets</b>                  |               | <b>\$ 2,499,522</b> | <b>100.0</b> | <b>\$ 2,521,757</b> | <b>100.0</b> |
| Liabilities and equity |                                      |               | December 31, 2023   |              | December 31, 2022   |              |
| Code                   | Description                          | Note          | Amount              | %            | Amount              | %            |
| 21xx                   | Current liabilities                  |               |                     |              |                     |              |
| 2100                   | Current borrowings                   | 6, 7 and 8    | \$ 335,579          | 13.4         | \$ 322,864          | 12.8         |
| 2130                   | Contract liability - Current         | 6             | 4,128               | 0.2          | 9,711               | 0.4          |
| 2150                   | Notes payable                        |               | 3,135               | 0.1          | 677                 | -            |
| 2170                   | Accounts payable                     |               | 223,069             | 8.9          | 197,827             | 7.9          |
| 2200                   | Other payables                       | 6             | 91,664              | 3.7          | 130,913             | 5.2          |
| 2250                   | Provisions - Current                 | 4 and 6       | 5,624               | 0.2          | 5,618               | 0.2          |
| 2280                   | Lease liabilities - Current          | 4 and 6       | 6,147               | 0.3          | 4,844               | 0.2          |
|                        | Long-term borrowings, current        |               |                     |              |                     |              |
| 2322                   | portion                              | 6, 7 and 8    | 60,918              | 2.4          | 75,340              | 3.0          |
| 2399                   | Other current liabilities - Others   |               | 8,319               | 0.3          | 2,763               | 0.1          |
| 21xx                   | <b>Total Current Liabilities</b>     |               | <b>738,583</b>      | <b>29.5</b>  | <b>750,557</b>      | <b>29.8</b>  |
| 25xx                   | Non-current liabilities              |               |                     |              |                     |              |
|                        | Non-current portion of               |               |                     |              |                     |              |
|                        | non-current borrowings               | 6, 7 and 8    | 285,365             | 11.4         | 145,476             | 5.8          |
| 2580                   | Lease liabilities - Non-current      | 4 and 6       | 24,683              | 1.0          | 21,414              | 0.8          |
|                        | Net defined benefit liability,       |               |                     |              |                     |              |
|                        | non-current                          | 5 and 6       | 3,877               | 0.2          | 4,973               | 0.2          |
| 2640                   | Guarantee deposits received          | 7             | 3,444               | 0.1          | 3,444               | 0.1          |
| 25xx                   | <b>Total Non-current Liabilities</b> |               | <b>317,369</b>      | <b>12.7</b>  | <b>175,307</b>      | <b>6.9</b>   |
|                        | <b>Total Liabilities</b>             |               | <b>1,055,952</b>    | <b>42.2</b>  | <b>925,864</b>      | <b>36.7</b>  |
|                        | Equity                               |               |                     |              |                     |              |
| 3100                   | Capital                              | 6             | 1,111,573           | 44.5         | 1,111,573           | 44.1         |
| 3200                   | Capital surplus                      | 6             | 431,153             | 17.3         | 431,153             | 17.1         |
| 3300                   | Retained earnings                    | 6             |                     |              |                     |              |
| 3310                   | Legal reserve                        |               | 18,308              | 0.7          | 18,308              | 0.7          |
| 3320                   | Special reserve                      |               | 92,737              | 3.7          | 92,765              | 3.7          |
|                        | Unappropriated retained              |               |                     |              |                     |              |
|                        | earnings (accumulated deficit)       |               | (204,022)           | (8.2)        | (53,176)            | (2.1)        |
| 3350                   | Others                               |               | (6,179)             | (0.2)        | (4,730)             | (0.2)        |
| 3400                   | <b>Total equity</b>                  |               | <b>1,443,570</b>    | <b>57.8</b>  | <b>1,595,893</b>    | <b>63.3</b>  |
|                        | <b>Total Liabilities and Equity</b>  |               | <b>\$ 2,499,522</b> | <b>100.0</b> | <b>\$ 2,521,757</b> | <b>100.0</b> |

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou



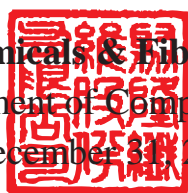
Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Comprehensive Income**  
**January 1 to December 31, 2023 and 2022**



(In Thousands of New Taiwan Dollars)

| Code | Description  | Note       | January 1 to December 31, 2023 |       | January 1 to December 31, 2022 |       |
|------|--|------------|--------------------------------|-------|--------------------------------|-------|
|      |  |            | Amount                         | %     | Amount                         | %     |
| 4000 | Net revenue  | 4, 6 and 7 | \$ 1,965,587                   | 100.0 | \$ 2,442,173                   | 100.0 |
| 5110 | Operating costs  | 6 and 7    | 1,944,881                      | 98.9  | 2,270,908                      | 93.0  |
| 5950 | Gross profit (loss) from operations  |            | 20,706                         | 1.1   | 171,265                        | 7.0   |
|      | Operating expenses   | 7          |                                |       |                                |       |
| 6100 | Sales and marketing expenses   |            | 72,968                         | 3.7   | 121,111                        | 4.9   |
| 6200 | Administrative expenses  |            | 44,968                         | 2.3   | 58,372                         | 2.4   |
| 6300 | Research and development expenses  |            | 36,831                         | 1.9   | 38,216                         | 1.6   |
| 6000 | Total operating expenses   |            | 154,767                        | 7.9   | 217,699                        | 8.9   |
| 6900 | Net operating income (loss)  |            | (134,061)                      | (6.8) | (46,434)                       | (1.9) |
|      | Non-operating income and expenses  |            |                                |       |                                |       |
| 7100 | Interest income  | 7          | 6,202                          | 0.3   | 2,373                          | 0.1   |
| 7010 | Other income   | 6 and 7    | 20,923                         | 1.1   | 20,544                         | 0.8   |
| 7020 | Other benefits and losses  | 6          | 5,132                          | 0.2   | 62,117                         | 2.6   |
| 7050 | Finance costs  | 4 and 6    | (12,189)                       | (0.6) | (9,584)                        | (0.4) |
| 7060 | Share of the profit or loss of associates and joint ventures accounted for using the equity method | 4 and 6    |                                |       |                                |       |
|      | Total non-operating income and expenses  |            | (49,897)                       | (2.5) | (90,095)                       | (3.7) |
| 7000 | Profit before tax (net loss)   |            | (29,829)                       | (1.5) | (14,645)                       | (0.6) |
| 7900 | Tax expense (income)   | 4 and 6    | (163,890)                      | (8.3) | (61,079)                       | (2.5) |
| 7950 | Profit (loss)  |            | (151,349)                      | (7.7) | (66,744)                       | (2.7) |
| 8200 | Other comprehensive income   |            |                                |       |                                |       |
|      | Components of other comprehensive income that will not be reclassified to profit or loss           |            |                                |       |                                |       |
| 8310 | Gains (losses) on remeasurements of defined benefit plans  |            | 594                            | -     | 106,952                        | 0.7   |
| 8311 | Relevant income tax for items that will not be reclassified  | 6          | (119)                          | -     | (3,390)                        | (0.1) |
| 8349 | Components of other comprehensive income that will be reclassified to profit or loss               |            |                                |       |                                |       |
| 8360 | Exchange differences on translation  |            | (1,449)                        | (0.1) | 4,004                          | 0.1   |
| 8361 | Other comprehensive income for the year (net)  |            | (974)                          | (0.1) | 17,566                         | 0.7   |
| 8300 | Total comprehensive income   |            | \$ (152,323)                   | (7.8) | \$ (49,178)                    | (2.0) |
| 8500 | Earnings per Share (loss):   |            |                                |       |                                |       |
| 9750 | Basic earnings per share (loss)  | 6          | \$ (1.36)                      |       | \$ (0.60)                      |       |
| 9850 | Diluted earnings per share (loss)  |            | \$ (1.36)                      |       | \$ (0.60)                      |       |

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



**Accelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Changes in Equity**  
**January 1 to December 31, 2023 and 2022**

(In Thousands of New Taiwan Dollars)

| Description  | Equity       |                 |               |                   |   |  | Total equity |
|--|--------------|-----------------|---------------|-------------------|---|--|--------------|
|  | Capital      | Capital surplus | Legal reserve | Retained earnings | Others  |  |              |
|  |              |                 |               | Special reserve   | Undistributed earnings<br>(accumulated deficit) | Exchange differences<br>on translation |              |
| Balance on January 1, 2022                           | \$ 1,111,573 | \$ 453,043      | \$ -          | \$ 17,269         | \$ 183,077                                      | \$ (8,734)                             | \$ 1,756,228 |
| Appropriation and distribution of retained earnings: |              |                 |               |                   |   |  |              |
| Legal reserve appropriated                           | -            | -               | 18,308        | -                 | (18,308)  | -                                      | -            |
| Special reserve appropriated                         | -            | -               | -             | 75,502            | (75,502)  | -                                      | -            |
| Cash dividends of ordinary share                     | -            | -               | -             | -                 | (89,267)  | -                                      | (89,267)     |
| Cash dividends paid from capital surplus             | -            | (21,890)        | -             | -                 | -   | -                                      | (21,890)     |
| Reversal of special reserve                          | -            | -               | -             | (6)               | 6   | -                                      | -            |
| 2022 net profit (loss)                               | -            | -               | -             | -                 | (66,744)  | -                                      | (66,744)     |
| 2022 other comprehensive income after tax            | -            | -               | -             | -                 | 13,562  | 4,004                                  | 17,566       |
| Balance on December 31, 2022                         | \$ 1,111,573 | \$ 431,153      | \$ 18,308     | \$ 92,765         | \$ (53,176)                                     | \$ (4,730)                             | \$ 1,595,893 |
| Reversal of special reserve                          | -            | -               | -             | (28)              | 28  | -                                      | -            |
| 2023 net profit (loss)                               | -            | -               | -             | -                 | (151,349)                                       | -                                      | (151,349)    |
| 2023 other comprehensive income after tax            | -            | -               | -             | -                 | 475   | (1,449)                                | (974)        |
| Balance on December 31, 2023                         | \$ 1,111,573 | \$ 431,153      | \$ 18,308     | \$ 92,737         | \$ (204,022)                                    | \$ (6,179)                             | \$ 1,443,570 |

(Please refer to the attached Notes to the Parent-Only Financial Statements)



Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Cash Flows**  
**January 1 to December 31, 2023 and 2022**



(In Thousands of New Taiwan Dollars)

| Description  | January 1 to December 31, 2023 | January 1 to December 31, 2022 |
|--|--------------------------------|--------------------------------|
| Cash flow from operating activities  |                                |                                |
| Profit (loss) before tax   | \$ (163,890)                   | \$ (61,079)                    |
| Adjustments  |                                |                                |
| Adjustments to reconcile profit (loss) that do not affect cash flows   |                                |                                |
| Depreciation expense   | 95,798                         | 95,469                         |
| Amortization expense   | 21,262                         | 12,554                         |
| Interest expense   | 12,189                         | 9,584                          |
| Interest income  | (6,202)                        | (2,373)                        |
| Gains or losses of financial assets at fair value measurement through profit or loss                             | -                              | 3,634                          |
| Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | 49,897                         | 90,095                         |
| Losses on disposals of property, plant and equipment (gains)   | 465                            | 555                            |
| Total adjustments  | <u>173,409</u>                 | <u>202,250</u>                 |
| Changes in operating activities assets and liabilities   |                                |                                |
| Changes in operating assets  |                                |                                |
| Decrease (increase) in notes receivable  | (10,346)                       | 89,281                         |
| Decrease (increase) in accounts receivable   | 4,147                          | 46,928                         |
| Decrease (increase) in other receivable  | 25,276                         | (1,801)                        |
| Decrease (increase) in inventories   | (34,057)                       | (26,223)                       |
| Decrease (increase) in prepayments   | (21,432)                       | (14,317)                       |
| Adjustments for decrease (increase) in other current assets  | (224)                          | 3,369                          |
| Total net change in assets related to operating activities   | <u>(36,636)</u>                | <u>97,237</u>                  |
| Changes in operating liabilities   |                                |                                |
| Increase (decrease) in notes payable   | 2,458                          | (431)                          |
| Increase (decrease) in accounts payable  | 25,242                         | (160,157)                      |
| Increase (decrease) in other payable   | (11,208)                       | (46,333)                       |
| Adjustments for increase (decrease) in other current liabilities   | 5,556                          | 1,437                          |
| Increase (decrease) in provisions  | 6                              | (1,701)                        |
| Contract liabilities - Current increase or decrease  | (5,583)                        | 1,655                          |
| Net defined benefit liability - Non-current increase or decrease   | (502)                          | (15,969)                       |
| Total net movement in liabilities related to operating activities  | <u>15,969</u>                  | <u>(221,499)</u>               |
| Total net movement in operating activities assets and liabilities  | <u>(20,667)</u>                | <u>(124,262)</u>               |
| Cash inflow (outflow) generated from operations  | (11,148)                       | 16,909                         |
| Interest received  | 5,965                          | 2,796                          |
| Interest paid  | (13,184)                       | (6,544)                        |
| Income tax refunded or paid  | -                              | (647)                          |
| Net cash flows from (used in) operating activities   | <u>(18,367)</u>                | <u>13,547</u>                  |

(To be continued in the next page)

**Acelon Chemicals & Fiber Co., Ltd.**  
**Parent-Only Statement of Cash Flows**  
**January 1 to December 31, 2023 and 2022**

(Continued from the previous page)

(In Thousands of New Taiwan Dollars)

| Description   | January 1 to December 31, 2023 | January 1 to December 31, 2022 |
|---|--------------------------------|--------------------------------|
| Cash flows from (used in) investing activities                          |                                |                                |
| Other receivables - Related parties                                     |                                | 130,000                        |
| Acquisition of investments accounted for using equity method            |                                | (2,812)                        |
| Acquisition of property, plant and equipment                            | (215,098)                      | (212,884)                      |
| Acquisition of intangible assets  | (423)                          | (384)                          |
| Proceeds from disposal of property, plant and equipment                 | 66                             | 512                            |
| Other financial assets - Current increase or decrease                   | (7,389)                        | (17,507)                       |
| Other financial assets - Non-current increase or decrease               | 8,216                          | 6                              |
| Decrease (increase) in refundable deposits                              | (5,481)                        | (374)                          |
| Decrease (increase) in other non-current assets                         | 2,133                          | 7,736                          |
| Dividends received from subsidiaries                                    | 1,290                          | 2,364                          |
| Net cash flows from (used in) investing activities                      | <u>(216,686)</u>               | <u>(93,343)</u>                |
| Cash flows from (used in) financing activities                          |                                |                                |
| Increase (decrease) in short-term loans                                 | 12,715                         | 322,864                        |
| Repayments of bonds   | -                              | (300,000)                      |
| Increase (decrease) in guarantee deposits received                      | -                              | 12                             |
| Increase (decrease) in non-current portion of non-current borrowings    | 126,462                        | 34,950                         |
| Cash dividends paid   | -                              | (111,157)                      |
| Repayment of principal of lease liabilities                             | (5,282)                        | (4,955)                        |
| Net cash flows from (used in) financing activities                      | <u>133,895</u>                 | <u>(58,286)</u>                |
| Increase (decrease) in cash and cash equivalents for the current period | (101,158)                      | (138,082)                      |
| Cash and cash equivalents at beginning of period                        | 203,066                        | 341,148                        |
| Cash and cash equivalents at end of period                              | <u>\$ 101,908</u>              | <u>\$ 203,066</u>              |

(Please refer to the attached Notes to the Parent-Only Financial Statements)

Chairman: Wen-Tung Chou



Managerial Officer: Wen-Tung Chou



Principal Accounting Officer: Feng-Hsiu Chang



Acelon Chemicals & Fiber Co., Ltd.  
Notes to the Parent-Only Financial Statements  
As of December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)  
(Unless otherwise specified)

I. Company history

The Company was established in July 1988, and the main business activities are the production and sales of chemical fibers for weaving. The Company was approved by the Securities and Futures Commission of the Ministry of Finance on August 18, 1992 for retroactive handling of public offering, and was officially listed on April 4, 1998 with the approval of the Taiwan Stock Exchange.

II. Date and procedures for approving the financial report

The accompanying parent-only financial statements were approved and authorized for issuance by the board of directors on March 15, 2024.

III. Application of New and Revised International Financial Reporting Standards

(I) The Company has adopted the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations recognized and announced effective by the Financial Supervisory Commission (hereinafter referred to as the "FSC"), and the relevant newly released, revised and amended standards and interpretations are listed as follows:

| New standards, interpretations and revisions  | Effective date announced<br>by IASB |
|---|-------------------------------------|
| Amendment to IAS 1 - "Disclosure of Accounting Policies"  | January 1, 2023                     |
| Amendment to IAS 8 - "Definition of Accounting Estimates"   | January 1, 2023                     |
| Amendment to IAS12 - "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023                     |
| Amendment to IAS12-"International Tax Reform -Pillar Two Model Rules"                                   | May 23, 2023                        |

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no significant influence on the Company.

(II) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company:

| New standards, interpretations and revisions                                 | Effective date announced<br>by IASB |
|--|-------------------------------------|
| Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"               | January 1, 2024                     |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current" | January 1, 2024                     |
| Amendment to IAS 1 - " Non-current Liabilities with Covenants"               | January 1, 2024                     |
| Amendment to IFRS 7 and IAS 7 -"Supplier Finance Arrangements"               | January 1, 2024                     |

The newly released and amended standards and interpretations approved by the FSC listed in the above table have no significant influence on the Company.

(III) IFRSs issued by the IASB but not yet recognized by the FSC:

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

| New standards, interpretations and revisions   | Effective date announced<br>by IASB |
|--|-------------------------------------|
| IFRS 10 and IAS 28 amendments, "Sale or contribution of assets between an investor and its associate or joint venture" | To be determined by the IASB        |
| IFRS 17 - "Insurance contracts"  | January 1, 2023                     |
| Amendment to IFRS 17 - "Insurance contracts"   | January 1, 2023                     |
| Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 -- Comparative Information"                            | January 1, 2023                     |
| Amendment to IFRS 21 " Lack of Exchangeability"  | January 1, 2025                     |

As of the release date of the parent-only financial report, the Company has been evaluating the impact of the amendments to the above (II) and (III) standards and interpretations on the financial position and financial performance, and the relevant impact will be disclosed when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent-only financial statements are set out below. Unless otherwise specified, the following accounting policies apply consistently throughout the year presented in the parent-only financial report.

##### (I) Compliance statement

These parent-only financial statements of the Company have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

##### (II) Basis of preparation

The parent-only financial statements have been prepared on the historical cost convention, except for financial instruments that are measured at fair value. Historical cost is generally determined based on the fair value of the consideration paid for the acquired assets.

##### (III) Functional and presentation currency

The parent-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information is expressed in thousands of New Taiwan Dollars unless otherwise stated.

##### (IV) Classification of current and non-current asset and liability items

Current assets are assets that are held for trading and are expected to be realized in cash or used up within a year. Assets that are not current assets are non-current assets. Current liabilities include liabilities held for trading and those that are expected to be settled within twelve months after the reporting period. Liabilities that are not current liabilities are non-current liabilities.

1. Assets that meet one of the following criteria are classified as current assets, and those that are not current assets are non-current assets:

- (1) Assets that are generated by the enterprise due to its business operations, and are expected to be realized or consumed or intended to be sold during the normal operating cycle of the enterprise.
- (2) Assets held primarily for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

2. Liabilities that meet one of the following criteria are classified as current liabilities, and those that are not current liabilities are non-current liabilities:

- (1) Liabilities that are generated by the enterprise due to its business operations, and are expected to be

paid off within the normal operating cycle.

(2) Those that are held primarily for the purpose of being traded.

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

(4) Liabilities for which the settlement date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(V) Foreign currency transactions

Items included in the parent-only financial report of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The parent-only financial statements are presented in New Taiwan dollars.

When preparing the individual financial statements of each entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognized at the exchange rate on the transaction date. At the end of the reporting period, foreign currency monetary items are retranslated at the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be retranslated using the exchange rates at the date when the fair value was measured. Non-monetary items measured at historical cost in a foreign currency shall be retranslated. Exchange differences are recognized in profit or loss in the period in which they occur.

(VI) Cash and cash equivalents

Cash includes unrestricted currency and bank deposits. Cash equivalents refer to short-term and highly liquid time deposits or investments near maturity that can be converted into fixed amounts of cash at any time, with changes in interest rates having little impact on their value.

(VII) Financial instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets (other than receivables that do not contain a significant financing component) or financial liabilities measured at fair value not through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Accounts receivable that do not contain significant financing components are initially measured at transaction prices.

1. Financial assets

Our financial assets are classified into financial assets measured at amortised cost; financial assets measured at fair value measurement through other comprehensive income; and financial assets measured at fair value measurement through profit or loss.

Only when we change the business model for managing financial assets, will we reclassify all affected financial assets in accordance with regulations.

(1) Financial assets measured at amortised cost

When a financial asset meets the following criteria at the same time and is not measured designation as at fair value through profit or loss, it is measured at amortised cost:

(a) The objective of the business model is achieved by collecting contractual cash flows.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, it is measured at fair value plus directly attributable transaction costs.

Subsequent measurement at amortised cost less impairment losses adopt the effective yield approach. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. The cumulative gain or loss is recognized in profit or loss at derecognition.

(2) Financial assets at fair value measurement through other comprehensive income

Debt instrument investments that meet the following criteria at the same time and are not designation as at fair value through profit or loss, are measured at fair value measurement through other comprehensive income:

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

The Company can conduct an irrevocable election at the time of initial recognition to report the subsequent fair value changes of equity investments that are not held for trading in other comprehensive income. The aforementioned elections are made on an instrument-by-instrument basis.

At initial recognition, it is measured at fair value plus directly attributable transaction costs. Subsequent measurement is at fair value, excluding exchange losses from debt instrument, interest income and impairment loss using the effective interest rate method and dividend income from equity instrument investment (unless the dividends clearly represent part of the recovery of investment costs), and changes in the remaining carrying amount are recognized in other comprehensive income, and accumulated in unrealized gains or losses on financial assets measured at fair value measurement through other comprehensive income under equity. At the time of derecognition, if it is a debt instrument, the cumulative amount of gains or losses under the equity item shall be reclassified to profit or loss; if it is an equity instrument, the cumulative amount of gains or losses under the equity item shall be reclassified as retained earnings, not reclassified to profit or loss.

(3) Financial assets at fair value measurement through profit or loss

Financial assets that are not measured at amortised cost or at fair value measurement through other comprehensive income as described above are measured at fair value measurement through profit or loss, including derivatives. In order to eliminate or significantly reduce accounting mismatches at initial recognition, the Company may irrevocably designate financial assets that meet the criteria of being measured at amortised cost or at fair value measurement through other comprehensive profit and loss as at fair value measurement through profit or loss.

These assets are subsequently measured at fair value and the net gain or loss (including any dividend and interest income) is recognized in profit or loss.

Dividend income from equity investment is recognized on the date when the Company is entitled to receive the dividend (usually the ex-dividend date).

(4) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on financial assets measured at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, etc.).

The loss allowance of the following financial assets are measured by the 12-month expected credit losses amount, and the rest are measured by the full lifetime expected credit losses (for example, the allowance loss of accounts receivable is measured by the full lifetime expected credit loss).

The credit risk of bank deposits (that is, the risk of default during the expected lifetime of the financial instrument) has not increased significantly since the initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the expected credit losses that result from all possible default events of a financial instrument within 12 months after the reporting date (or a shorter period, if the expected life of the financial instrument is shorter than 12 months).

The maximum period over which expected credit losses should be measured is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk has increased significantly after the initial recognition, the Company considers reasonable and supportable information (obtainable without undue cost or investment), including qualitative and quantitative information, the Company's historical experience, and analysis of credit ratings and forward-looking information.

If the contract payment is overdue for more than 60 days, the Company assumes that the credit risk of the financial asset has increased significantly.

If the contract payment is overdue for more than 180 days, or that the borrower is unlikely to fulfill the credit obligations and pay the full amount to the Company, we consider the financial asset to be in default.

Expected credit losses are a probability-weighted estimate of credit loss over the expected life of a financial instrument. Credit losses are measured as the present value of all cash shortfalls, which is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the financial asset's effective interest rate.

The Company assesses whether financial assets measured at amortised cost and debt securities measured at fair value measurement through other comprehensive income are credit-impaired at each reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulties of the borrower or issuer;
- (b) A breach of contract, such as a default or past due event for more than 180 days;
- (c) We, for economic or contractual reasons relating to the borrower's financial difficulty, have granted to the borrower a concession that we would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

Loss allowance for financial assets at amortised cost is deducted from the carrying amount of the assets. Loss allowance for debt instruments at fair value measurement through other comprehensive income is recognized in other comprehensive income (without reducing the carrying

amount of the assets), and the amount of loss allowance or reversal is recognized in profit or loss.

When the Company has no reasonable expectation of recovery of all or part of the financial assets, it will directly reduce the gross carrying amount of such financial assets. It generally means that the Company determines that the debtor's assets or sources of income cannot generate sufficient cash flows to repay the written-off amount. However, the written-off financial assets can still be enforced to comply with the Company's procedures for recovering overdue amounts.

#### (5) De-recognition of financial assets

The Company derecognizes the financial asset for the termination of the contractual rights to the cash flows from the financial asset, or the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to other enterprises.

When a single debt instrument is derecognized in its entirety, the difference between its carrying amount and the total amount of consideration received or receivable recognized in other comprehensive income and accumulated in "Other equities - Unrealized gains or losses from financial assets measured at fair value measurement through other comprehensive income" is recognized as profit or loss, and reported as a comprehensive income item under non-operating income and expenses.

When not derecognizing the entirety of a single debt instrument, the Company, on the basis of the relative fair value of each part on the date of transfer, allocates the initial carrying amount of the financial asset to the part that is continuously recognized due to continuous participation and the part that is derecognized. The difference between the carrying amount allocated to the derecognized portion and the sum of any cumulative gain or loss allocated to the derecognized portion in addition to the consideration received for the derecognized portion that has been recognized in other comprehensive income is recognized in profit or loss and reported as a comprehensive item under non-operating income and expenses. The cumulative gains or losses that have been recognized in other comprehensive income are allocated between the part that continues to be recognized and the part that is derecognized based on their relative fair values.

#### (VIII) Financial liabilities and equity instruments

##### 1. Classification of financial liabilities or equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definitions of financial liabilities and equity instruments.

##### 2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount after deducting direct issuance costs from the obtained proceeds.

##### 3. Financial liabilities

Financial liabilities are subsequently measured at amortised cost, cost or fair value.

###### (1) Financial liabilities at fair value measurement through profit or loss

Financial liabilities that are held for trading or designated at fair value measurement through profit or loss are classified as financial liabilities at fair value measurement through



profit or loss.

Financial liabilities at fair value measurement through profit or loss are measured at fair value, with any gain or loss on remeasurement recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability, which is reported in the parent-only comprehensive income under "gains from financial liabilities at fair value measurement through profit or loss" or "losses in financial liabilities at fair value measurement through profit or loss".

If the financial liabilities measured at fair value measurement through profit or loss are "an obligation to sell a borrowed unquoted equity investment whose fair value cannot be reliably measured and which must be delivered" or "a derivative linked to an unquoted equity investment whose fair value cannot be reliably measured and is delivered with the equity instrument", it is measured at cost on the reporting date and listed in the "Financial liabilities measured at cost".

The gains or losses of financial guarantee contracts and loan commitments issued by the Company and designated as fair value measurement through profit or loss are recognized in profit or loss.

#### (2) Financial assets measured at amortised cost

Financial liabilities that are not held for trading and not designated at fair value measurement through profit or loss are measured at amortised cost at the end of the subsequent reporting period. The carrying amount of financial liabilities measured at amortised cost is determined using the effective interest method. Interest expense not capitalized in the cost of the asset is presented in "Finance costs".

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant periods. The effective interest rate refers to the discounting of the estimated future cash payment amount (including the service fee paid or received as an integral part of the effective interest rate and interest rate spread, transaction costs and other premiums and discounts) during the expected lifetime of the financial instrument or an appropriate shorter period, which is exactly equal to the interest rate on the net carrying amount at the time of initial recognition.

#### 4. De-recognition of financial liabilities

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

#### (IX) Derivative financial instruments

The Company enters into derivative financial instruments such as forward exchange, cross-currency swap and interest rate swap contracts to manage related exchange rate and interest rate risks.

Derivative financial instruments are initially recognized at fair value, and are subsequently re-measured at fair value at the end of each reporting period. The gains or losses resulting from the subsequent measurement are directly listed in profit or loss, and are designated as effective hedging tools. The timing of recognition of derivatives in profit or loss depends on the nature of the hedging

relationship. When the fair value of derivative financial instruments is positive, it is listed as a financial asset; when the fair value is negative, it is listed as a financial liability.

Changes in the fair value of hedging instruments designated and in line with fair value hedging, and changes in the fair value of the hedged items attributable to hedged risk are recognized immediately in profit or loss.

For derivative financial instruments designated and eligible for cash flow hedging, the fair value changes as part of the effective hedging are recognized in other comprehensive income and cumulatively listed as cash flow hedging reserves of other equity items. When the hedged item is recognized in profit or loss, the amount initially recognized in other comprehensive income and cumulatively included in the cash flow hedging reserve will be reclassified to profit or loss, and will be included in the parent-only comprehensive income statement together with the recognized hedged items.

#### (X) Inventory

The initial cost of inventory refers to the necessary expenditures for making the inventory ready for sale or production. Among them, the fixed production overheads is allocated to finished products and work-in-progress according to the normal production capacity of the production equipment, while the variable manufacturing cost is based on the actual reduction as the basis for allocation. If the actual production capacity is not significantly different from the normal production capacity, the fixed production overheads shall be allocated according to the actual output. If the actual output is abnormally higher than the normal production capacity, the fixed production overheads shall be allocated based on the actual production capacity. Subsequently, we measure each item by the lower of cost and the net realisable value. The cost is calculated using the weighted average method, and the net realisable value is calculated by subtracting the cost and selling expenses required to complete the projects from the estimated selling price under normal business conditions on the balance sheet date.

#### (XI) Investments accounted for using equity method

Investments accounted for using equity method include investments in associates and joint ventures

Associates are enterprises over which the Company has significant influence, but are not subsidiaries or interests in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies.

A joint venture means that the Company and other entities engage in economic activities under joint control through contractual arrangement, which means that strategic financial and operational decisions related to the joint venture must reach the unanimous consensus of the shared controllers. If another entity is established in accordance with the joint venture agreement, each venturer has the rights and interests in the entity, and the entity is a jointly controlled entity.

Except for assets classified as held for sale, the operating results and assets and liabilities of associates and joint ventures are included in the parent-only financial statements using the equity method. Under the equity method, investments in associates and joint ventures are initially recognized at cost in the parent-only balance sheet, and is subsequently adjusted according to changes in the Company's share of the investee's net assets. When the Company's share of losses in associates and joint ventures exceeds its equity in the associates, it shall only recognize additional losses within the scope of legal obligations or constructive obligations incurred, or having to have made payments on behalf of associates.

The portion of the acquisition cost exceeding the Company's share of the net fair value of the

identifiable assets and liabilities of the associates or joint ventures on the date of acquisition is goodwill, which is included in the carrying amount of the investment. If the share of the net fair value of the identifiable assets and liabilities of the associates or joint ventures on the date of acquisition exceeds the acquisition cost, the portion is recognized as income immediately after reassessment.

When assessing impairment, we regard the overall carrying amount (including goodwill) as a single asset, and compare the recoverable amount (the higher of the value in use or the fair value less costs to sell) with the carrying amount for an impairment test. The recognized impairment loss is included in the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

In the event the Company does not subscribe to the new shares issued by associate or joint ventures in accordance with the shareholding percentage, which results in a change in shareholding and an increase or decrease in the net equity value of the investment, the increase or decrease shall be adjusted using the capital surplus and investments accounted for using equity method. If the ownership interest in the associate is reduced by not subscribing to or obtaining shares according to the shareholding percentage, the amount recognized in other comprehensive income related to the associate will be reclassified according to the reduction percentage, and the basis of accounting record is the same as the one followed by the associate in directly disposing of the relevant assets or liabilities.

When there are transactions between an entity and associates and joint ventures, the unrealized gains and losses are eliminated according to their proportion during consolidation.

#### (XII)Property, plant and equipment

Property, plant and equipment are recognized on the basis of acquisition cost, and are recognized at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises expenditures that are directly attributable to the acquisition of the asset. The cost of a self-constructed asset includes raw materials and direct labour, any other directly attributable costs of bringing the asset to a usable condition for its intended use, and costs of dismantling and relocation and restoration to the original location. The aforementioned costs include renovation costs for replacing part of the plant and equipment and necessary interest expenses arising from the construction contract.

Property under construction is reported at cost less any recognized impairment losses. (Cost includes professional services fees). When such real property is completed and ready for intended use, it is classified into the appropriate category of property, plant and equipment. The depreciation basis of these assets is the same as that of other real property assets, which starts to be recognized when the assets are ready for their intended use.

Self-owned land does not recognize depreciation.

When a material component of property, plant and equipment needs to be replaced periodically, the Company treats the component as an individual asset and recognizes it as depreciation with a specific useful life and depreciation method. If material overhaul costs meet the recognition criteria, they are regarded as replacement costs and recognized as part of the carrying amount of property, plant and equipment. Other repair and maintenance expenses are recognized in profit or loss. With respect to the present value of the expected decommissioning costs after the asset is used, if it meets the recognition criteria of the provision, it will be included in the cost of the relevant asset.

If the cost of each component of property, plant and equipment is significant relative to the total cost of the item, each component is depreciated separately and treated as a separate item (material component)

of property, plant and equipment.

An item of property, plant and equipment or any major component that is disposed of after initial recognition will be derecognized and then recognized in profit or loss if it is disposed of or when no future economic benefits are expected from its use or disposal. Depreciation is recognized in profit or loss over the estimated useful life of each component of an item of property, plant and equipment on a straight-line basis as it best reflects the expected pattern of consumption of the asset's future economic effects.

Depreciation is accrued based on the following estimated useful life:

|                          |               |
|--------------------------|---------------|
| Buildings and structures | 2 to 50 years |
| Machinery and equipment  | 1 to 10 years |
| Transportation equipment | 5 to 10 years |
| Office equipment         | 5 to 8 years  |
| Leasehold improvements   | 5 to 10 years |
| Other equipment          | 1 to 25 years |

Depreciation adopts the straight-line method to write off the cost less the residual value of the asset over its useful life. Estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, and the effect of any change in estimate is treated on a deferred basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains or losses arising from the disposal or retirement of real property, plant and equipment are recognized in profit or loss as the difference between the disposal price and the carrying amount of the asset.

### (XIII) Leases

#### 1. Judgment on lease

The Company assesses whether the contract is or contains a lease on the date of establishment of the contract. If the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration, the contract is or contains a lease. In order to assess whether the contract is a lease, we evaluate the following items:

- (1) The contract involves the use of an identified asset that is physically distinct or represents substantially all capacity, either explicitly designated in the contract or implicitly designated by virtue of being available for use. An asset is not an identified asset if the supplier has a substantive right to substitute it; and
- (2) has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- (3) obtain the right to direct the use of identified assets when one of the following conditions is met:
  - The customer has the right to direct the use method and purpose of use of the identified assets throughout the period of use.
  - The relevant decisions about how and for what purpose the asset is used are predetermined; and
    - The customer has the right to operate the asset throughout the period of use without the supplier having the right to change those operating instructions; or
    - The way in which the customer has designed the asset predetermines how and for what purpose

it will be used throughout its period of use.

On the inception date of the lease or when reassessing whether the contract includes the lease, the Company allocates the consideration in the contract to the separate lease components on the basis of relative standalone prices. However, when leasing land and buildings, the Company chooses not to distinguish between non-lease components and lease components, and instead treats them as a single lease component.

## 2.Lessee

The Company recognizes the right-of-use asset and lease liability on the lease inception date. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, adjusting any lease payments made on or before the lease inception date, and adding all initial direct costs incurred and estimated costs of dismantling, removing and restoring the site or the underlying asset, less any lease incentives received.

The right-of-use asset recognized on a straight-line basis is depreciated from the inception of the lease date to the earlier of the end of the asset's service life or the end of the lease term. In addition, we regularly assess whether the right-of-use asset is impaired and handle any impairment loss that has occurred, and adjust the right-of-use asset in response to the remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date. If the implicit interest rate of the lease is easy to determine, the discount rate will be the interest rate; if it is not easy to determine, the incremental borrowing rate will be used. Generally speaking, we use our incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or rate, which uses the index or rate on the lease commencement date for the initial measurement;
- (3) Amounts expected to be payable under residual value guarantees; and
- (4) The exercise price of a purchase option or lease termination option reasonably certain to be exercised or the payment for the termination penalty.

The lease liability subsequently accrues interest using the effective interest method, and its amount is remeasured when the following situations occur:

- (1) Changes in the index or rate used to determine lease payments lead to changes in future lease payments;
- (2) Changes in the amounts expected to be payable under residual value guarantees;
- (3) Changes in the valuation of the underlying asset purchase option;
- (4) Changes in the assessment of whether to exercise the extension or termination option, which changes the assessment of the lease period;
- (5) Modification of the underlying asset, scope or other terms of the lease.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination options, the carrying amount of the

right-of-use asset is adjusted accordingly, and when the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between this amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company expresses the right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, we choose not to recognize the right-of-use assets and lease liabilities, but recognize the relevant lease payments as expenses during the lease period on a straight-line basis.

### 3.Lessor

The transaction in which the Company is the lessor is to classify the lease contract on the date of establishment of the lease according to whether it substantially transfers all the risks and rewards attached to the ownership of the underlying asset. If so, it is classified as a finance lease. Otherwise, it is classified as an operating lease. We consider relevant specific indicators including whether the lease period covers the major part of the economic life of the underlying asset in our assessment.

If we are a sublease lessor, we handle master lease and sublease transactions separately, and evaluate the classification of sublease transactions based on the right-of-use assets generated by the master lease. If the master lease is a short-term lease and the recognition exemption applies, the sublease transaction should be classified as an operating lease.

If the agreement contains lease and non-lease components, we apply the requirements of IFRS 15 to allocate the consideration in the contract.

Assets held under finance leases are expressed as finance lease receivables at the amount equal to the net investment in a lease. Initial direct costs arising from the negotiation and arrangement of operating leases are included in the net lease investment. The net lease investment is in a pattern that can reflect a constant periodic rate of return in each period, and is apportioned and recognized as interest income during the lease period. For operating leases, the Company adopts a straight-line basis to recognize the lease payments received as rental income during the lease period.

### (XIV)Investment property

The property held by the Company can only be classified as investment property if it is used to earn long-term rent or capital appreciation or both. Investment property refers to land that is leased out.

The subsequent measurement of the Company's investment property adopts the cost model, and the land is not depreciated.

### (XV)Intangible assets

#### 1.Recognition and measurement

Expenditure related to research activities is recognized in profit or loss as incurred.

Development expenditure is only capitalized when the technological or commercial feasibility of reliably measured products or processes has been achieved, bringing future economic benefits to the Company, and the Company intends and has sufficient resources to complete such development and uses or sells the asset. Other development expenditures are recognized in profit or loss as incurred. After initial recognition, capitalized development expenditures are measured at their cost

less accumulated amortization and impairment losses.

Other intangible assets with limited useful lives, such as computer software, etc., acquired by the Company are measured at the cost minus accumulated amortization and impairment.

## 2. Subsequent expenditure

Subsequent expenditures are capitalized only to the extent that they increase the future economic benefits of the related specific assets. All other expenditures are recognized in profit or loss as incurred, including internally developed goodwill and branding.

## 3. Amortization

Amortization, other than goodwill, is calculated as the cost of the asset less the estimated residual value and is recognized in profit or loss using the straight-line method from the time the intangible asset is ready for use over its projected useful life.

The projected useful lives for the current and comparative periods are as follows:

|                   |              |
|-------------------|--------------|
| Computer software | 1 to 3 years |
|-------------------|--------------|

The Company reviews the amortization method, useful life and residual value of intangible assets, and makes appropriate adjustments when necessary.

## (XVI) Impairment of non-financial assets

For inventories, deferred income tax assets, assets arising from employee benefits, non-current assets classified as held for sale, and non-financial assets other than biological assets, the Company assesses whether impairment has occurred at the end of each reporting period, and estimates the recoverable amount if there are indications of impairment. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount is then adjusted to the recoverable amount, and an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss for the period.

The Company reassesses at the end of each reporting period whether there is any indication that impairment losses recognized in prior years for non-financial assets other than goodwill may have ceased to exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss is reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, but not more than the carrying amount after the recognized depreciation or amortization being deducted from the asset or cash-generating unit unrecognised the impairment loss the previous years.

For the purpose of impairment testing, goodwill acquired by an enterprise should be allocated to each cash-generating unit (or group of cash-generating units) of the company that is expected to benefit from synergy. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is firstly used to reduce the carrying amount of goodwill already allocated to the cash-generating unit, and, secondly, allocated in proportion to the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## (XVII) Provisions

When the Company has a present obligation (legal or constructive obligation) due to past events,

and is very likely to have to pay off the obligation, and can reliably estimate the amount of the obligation, the provision is recognized.

The amount recognized as a provision is the best estimate of the expenditures required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the provision is measured by the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (XVIII) Revenue from contracts with customers

Revenue is measured by the consideration to which the goods are transferred and to which they are expected to be entitled. The Company recognizes revenue when control of the goods is transferred to the customer and performance obligations are satisfied.

##### 1. Selling goods

The Company recognizes revenue when control of the goods is transferred to the customer. The transfer of control of the products means that the products have been delivered to the customer and there are no outstanding obligations that would affect the customer's acceptance of the products. Delivery is the cut-off point at which the customer has accepted the products in accordance with the transaction terms, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all acceptance criteria have been met.

The Company recognizes accounts receivable when the goods are delivered, because the Company has the unconditional right to the consideration at that point.

##### 2. Financial components

The Company expects that the time interval between the time of transferring the goods to the customer and the time when the customer pays for the goods will not exceed one year, so the Company has not adjusted the time value of money of the transaction price.

#### (XIX) Employee welfare

##### 1. Pensions

###### (1) Defined contribution plans

In the case of a defined contribution of retirement benefit plan, the amount that should be appropriated is recognized as current expenses during the employee's service tenure. For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

###### (2) Defined benefit plans

Net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Group in the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets and unrecognised past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date). Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. If the past service cost is immediately vested, the relevant expenses shall be recognized



as profit or loss immediately; if it is not immediately vested, the relevant expenses shall be recognized as profit or loss during the average vesting period using the straight-line method.

The calculation of pension cost during the interim period adopts the pension cost rate determined by actuarial calculations at the end of the previous financial year, and is based on the beginning of the year to the end of the current period. If there are material market changes and material reductions, liquidation or other material one-off events after the end date, adjustments shall be made and relevant information shall be disclosed in accordance with the abovementioned policies.

## 2. Short-term employee benefits

Liabilities related to short-term employee benefits are measured on a non-discounted cash basis of expected payments in exchange for employee services.

Regarding the amount expected to be paid with the short-term cash bonus or bonus plan, if the Company has a current legal or constructive payment obligation due to the past service provided by the employee, and the obligation can be reliably estimated, the amount is recognized as a liability.

## 3. Remuneration for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts revolved by the board meeting and the subsequent actual distributed amounts is accounted for as changes in estimates.

### (XX)Government grants

When the Company can receive related government grants, it will recognize the unconditional grants as other income. For other grants related to assets, the Company recognizes them as deferred income at fair value if it can be reasonably sure that the conditions attached to the government grants will be met and the grants will be received, and the deferred income is recognized as other income on a systematic basis within the useful life of the asset. Government grants to compensate for the expenses or losses incurred by the Company are recognized in profit or loss on a systematic basis and related expenses are recognized at the same time.

### (XXI)Finance costs

Finance costs include interest expenses arising from borrowings and discounted amortization of provisions.

### (XXII)Income tax

Income tax expense is the sum of current income tax and deferred income tax. The Company determines that the interests or fines related to income tax (including uncertain tax treatment) do not meet the definition of income tax, so the accounting record of International Accounting Standard No. 37 is applicable.

#### 1.Current income tax

Current income tax is based on the taxable income of the current year. Since some income and expense losses are taxable or deductible items in other years, or are not taxable or deductible items according to relevant tax laws, the taxable income is different from the net profit reported in the parent-only comprehensive income statement. The Company calculates current income tax at the tax rates that have been legislated or substantively legislated as of the balance sheet date.

The undistributed earnings calculated in accordance with the provisions of the Income Tax Act are subject to a 5% income tax as the income tax expense for the year in which the income occurs and

related liabilities are estimated and measured at the tax rate of the undistributed earnings. On the resolution date of the next year's shareholder meeting, if the amount changes due to the resolved distribution, it will be treated as a change in accounting estimate, and will be adjusted and recorded in the year of the resolution of the shareholder meeting.

## 2. Deferred income tax

Deferred tax expenses are calculated and recognized based on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax liabilities are generally recognized for all future taxable temporary differences; deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. If the temporary difference is caused by the initial recognition of other assets and liabilities (excluding business combination), and the transaction does not affect taxable profit or accounting profit at the time, it is not recognized as deferred income tax assets and liabilities.

Taxable temporary differences related to investment in subsidiaries, associates and interests in joint ventures are all recognized as deferred income tax liabilities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences related to such investments and interests are only recognized when it is very probable that there will be sufficient taxable income to realize the benefits of the temporary differences and are in the scope of reversal in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Those unrecognised as deferred income tax assets are also reviewed at the end of each reporting period, and for those that are likely to generate taxable income for recovering all or part of the assets in the future, the carrying amount is increased.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the liability is settled or asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax effect of the method in which a company expects to recover or pay off the carrying amount of its assets and liabilities at the end of the reporting period.

Deferred income tax assets and liabilities can only be offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income tax is from the same taxable entity and related to income taxes levied by the same taxation authority.

## 3. Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, except for the current and deferred income taxes related to items recognized in other comprehensive incomes or directly in equity, in which case, they are also recognized in other comprehensive income or directly in equity, respectively.

## (XXIII) Earnings per common share

Earnings per common share are calculated by dividing net profit for the period by the weighted

average number of outstanding common shares. The number of shares for cash capital increase is calculated by the weighted average method based on the number of common shares issued (base date for capital increase); however, the number of shares for the capital increase from retained earnings and capital surplus is calculated retrospectively.

(XXIV) Disclosure of operating segments' information

Operating segments are a component of the Company that engages in operating activities that may generate income and incur expenses (including revenues and expenses arising from transactions with other components within the Company). The operating results of all operating segments are regularly reviewed by the Company's chief operating decision-maker, who makes decisions on allocating resources to segments and evaluating the performance. Separate financial information is available for each operating segment.

(XXV) Comparative Information

Unless otherwise permitted or required by the International Financial Reporting Standards, the current financial report shall have comparative information from prior periods disclosed. When there is a change in accounting policy or reclassification, the comparative information should be adjusted for comparison with the financial information of the current period.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

When adopting accounting policies, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for relevant information that is not easy to obtain from other sources. Actual results may differ from estimates.

In preparing this parent-only financial report, the management must make judgements, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The following are other key sources of information on key assumptions concerning the future and estimation uncertainty at the reporting date. The assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Company's assumptions about the rate of default and expected loss ratio. The Company considers historical experience, current market conditions and forward-looking information to formulate assumptions and select inputs for impairment assessments. If the actual future cash flow is less than expected, significant impairment losses may occur.

(II) Inventory valuation

As the inventory is measured based on the lower of cost and net realisable value, the Company must use judgment and estimation to determine the net realisable value of the inventory at the end of the financial reporting period.

Due to the rapid changes in technology, the Company has to assess the wear and tear, obsolescence and market value of inventory at the end of the financial reporting period, and write down the inventory cost to the net realisable value. The inventory valuation is mainly based on the estimated demand in a specific period in the future, so significant changes may occur.

(III) Impairment assessment of tangible assets and intangible assets (excluding goodwill)

To assess assets for impairment, the Company needs to rely on subjective judgments and determine the independent cash flow of specific asset groups, the useful life of assets and the possible future income and expenses based on the asset use models and the characteristics of the construction industry. Changes in circumstances or changes in estimates brought about by corporate strategy may result in material impairment in the future.

(IV) Realizability of deferred tax assets

Deferred income tax assets are only recognized when it is highly likely that there will be sufficient taxable income in the future for the use of deductible temporary differences. When assessing the realizability of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including assumptions such as expected future revenue growth and profit margins, available income tax deductions, and tax planning. Any changes in the global economic environment, industry environment, and laws and regulations may cause material adjustments to deferred income tax assets.

(V) Net defined benefit liability -- Non-current calculation

When calculating the present value of a defined benefit obligation, the Company must use judgment and estimation to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and the expected return rate of plan assets. Any change in actuarial assumptions may significantly affect the amount of the Company's defined benefit obligations.

VI. Contents of significant accounts

(I) Cash and cash equivalents

|                                      | <u>2023.12.31</u> | <u>2022.12.31</u> |
|--------------------------------------|-------------------|-------------------|
| Cash                                 |                   |                   |
| Cash on hand and petty cash          | \$ 220            | \$ 220            |
| Checking account deposits            | 629               | 278               |
| Demand and foreign currency deposits | 39,549            | 202,568           |
| Cash equivalents                     |                   |                   |
| Repurchase agreement                 | <u>61,510</u>     | <u>        </u>   |
|                                      | <u>\$ 101,908</u> | <u>\$ 203,066</u> |

As of December 31, 2023, the foreign currency amount equivalent to cash and cash equivalents is USD 2,000 thousand, with an agreed interest rate of 5.4%.

## (II)Notes and accounts receivable / Overdue receivables

|  | 2023.12.31        | 2022.12.31        |
|--|-------------------|-------------------|
| Notes receivable - Measured at amortised cost    | \$ 66,595         | \$ 56,249         |
| Less: Loss allowance                             | ( 729 )           | ( 729 )           |
|  | <u>\$ 65,866</u>  | <u>\$ 55,520</u>  |
| Accounts receivable - Measured at amortised cost | \$ 286,289        | \$ 290,436        |
| Less: Loss allowance                             | ( 740 )           | ( 740 )           |
|  | <u>\$ 285,549</u> | <u>\$ 289,696</u> |
| Overdue receivable - Measured at amortised cost  | \$ 7,319          | \$ 7,319          |
| Less: Loss allowance                             | ( 7,319 )         | ( 7,319 )         |
|  | <u>\$ —</u>       | <u>\$ —</u>       |

The Company's credit period for customers is 45 days end of the month, and for some customers, it is 30 or 60 net.

For all notes receivable and accounts receivable, the Company adopts a simplified approach to estimate expected credit losses. That is, it is measured by expected credit losses during its lifetime. The expected credit losses analysis of the Company's notes receivable and accounts receivable is on December 31, 2023 and 2022 as follows:

|  | 2023.12.31        |                       |                        |                        |                         |                             |                   |
|--|-------------------|-----------------------|------------------------|------------------------|-------------------------|-----------------------------|-------------------|
|  | Not past due      | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | Total             |
| Expected credit loss rate                          | 0%                | 0%                    | 5%                     | 20%                    | 50%                     | 100%                        |                   |
| Total carrying amount                              | \$ 326,948        | \$ 21,138             | \$ 4,798               | \$ —                   | \$ —                    | \$ 7,319                    | \$ 360,203        |
| Allowance for loss (lifetime expected credit loss) | (1,229)           | —                     | (240)                  | —                      | —                       | (7,319)                     | (8,788)           |
| Amortised cost                                     | <u>\$ 325,719</u> | <u>\$ 21,138</u>      | <u>\$ 4,558</u>        | <u>\$ —</u>            | <u>\$ —</u>             | <u>\$ —</u>                 | <u>\$ 351,415</u> |
|  | 2022.12.31        |                       |                        |                        |                         |                             |                   |
|  | Not past due      | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | Total             |
| Expected credit loss rate                          | 0%                | 0%                    | 5%                     | 20%                    | 50%                     | 100%                        |                   |
| Total carrying amount                              | \$ 314,080        | \$ 30,717             | \$ 1,888               | \$ —                   | \$ —                    | \$ 7,319                    | \$ 354,004        |
| Allowance for loss (lifetime expected credit loss) | (1,375)           | —                     | (94)                   | —                      | —                       | (7,319)                     | (8,788)           |
| Amortised cost                                     | <u>\$ 312,705</u> | <u>\$ 30,717</u>      | <u>\$ 1,794</u>        | <u>\$ —</u>            | <u>\$ —</u>             | <u>\$ —</u>                 | <u>\$ 345,216</u> |

Information on changes in the allowance for losses on notes and accounts receivable:

|  | 2023.01.01-12.31 | 2022.01.01-12.31 |
|--|------------------|------------------|
| Opening balance  | \$ 8,788         | \$ 8,788         |
| Expected loss on credit impairment in the current period | —                | —                |
| Write-off in the current period                          | —                | —                |
| Ending balance   | <u>\$ 8,788</u>  | <u>\$ 8,788</u>  |

For the accounts receivable that are overdue but not yet recognized for impairment, the Company assessed that the credit quality had not been changed significantly and the relevant accounts are recoverable, in addition to the following description, so there is no concern with impairment yet.

Please refer to Note 8 for details of guarantee provision.

(III)Other receivables

|        | 2023.12.31       | 2022.12.31       |
|--------|------------------|------------------|
| Others | <u>14,481</u>    | <u>39,520</u>    |
|        | <u>\$ 14,481</u> | <u>\$ 39,520</u> |

(IV)Inventories

|  | 2023.12.31        | 2022.12.31        |
|--|-------------------|-------------------|
| Raw materials  | \$ 86,234         | \$ 65,994         |
| Supplies   | 49,069            | 63,305            |
| Finished goods   | 477,685           | 442,532           |
| Less: Allowance for losses on falling prices of inventory and inventory obsolescence | ( 44,686)         | ( 37,586)         |
|  | <u>\$ 568,302</u> | <u>\$ 534,245</u> |

1.Inventory-related expenses and losses recognized in the current period:

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| Cost of inventories sold  | \$ 1,891,632        | \$ 2,213,575        |
| Inventory obsolescence loss                                       | 1,347               |                     |
| Loss (profit) on inventory  | 67                  |                     |
| Revenue from sales of leftovers                                   | ( 2,070)            | ( 3,784)            |
| Losses on falling prices of inventory (gains from price recovery) | 7,100               | ( 16,800)           |
| Expenses associated with idle capacity                            | 46,805              | 77,917              |
|   | <u>\$ 1,944,881</u> | <u>\$ 2,270,908</u> |

2.The insured amount of inventories on December 31, 2023 and 2022 was NT\$567,571 thousand and NT\$644,454 thousand, respectively.

3.In 2022, the recovery of falling inventory price is due to the recovery of the market price of raw materials and finished products, resulting in gains from inventory recovery.

(V) Investments accounted for using equity method

The following lists the investments accounted for using equity method:

|              | 2023.12.31 |         | 2022.12.31 |         |
|--------------|------------|---------|------------|---------|
| Subsidiaries | \$         | 230,414 | \$         | 279,331 |
| Associates   |            | 54,969  |            | 58,688  |
|              | \$         | 285,383 | \$         | 338,019 |

1. The Company's subsidiaries are listed as follows:

| Investee                                   | Main businesses   | Establishment and operating location | Carrying amount |            | Ownership interests held by the Company and voting right percentage |            |
|--|---|--------------------------------------|-----------------|------------|---|------------|
|  |   |                                      | 2023.12.31      | 2022.12.31 | 2023.12.31  | 2022.12.31 |
| <u>Common stock</u>                        |   |                                      |                 |            |   |            |
| Acegreen Eco-Material Technology Co., Ltd. | Manufacturing and sales of non-woven fabrics and man-made fib | Ershui Township, Changhua County     | \$ 199,517      | \$ 246,791 | 100.0%  | 100.0%     |
| Acenature Biotechnology Co., Ltd.          | Manufacturing and sales of non-woven fabrics and man-made fib | Changhua City, Changhua County       | 30,897          | 32,540     | 100.0%  | 100.0%     |
|  |   |                                      | \$ 230,414      | \$ 279,331 |   |            |

The Company's initial investment in Acegreen Eco-Material Technology in 2011 was NT\$1,000 thousand, and a capital increase of NT\$249,000 was subsequently conducted to make the investment cost total NT\$250,000 thousand. In 2016, for the purpose of specialized division of labor to improve competitive advantages and business performance, the Company's Lyocell product business operations underwent a division in accordance with the Business Mergers And Acquisitions Act and relevant regulations to be transferred to the Company's wholly-owned subsidiary Acegreen Eco-Material Technology, in exchange for 25,000 thousand of common shares at NT\$10. The division was approved by the resolution of the Company's shareholder meeting on May 27, 2016, and the board of directors resolved on July 14, 2016 to have July 15, 2016 as the record date for the division, and the investment cost at NT\$500,000 thousand. There was a cash capital increase of NT\$100,000 thousand in February 2018; a capital reduction of NT\$230,000 thousand in February 2019 to make up for losses; another cash capital increase of NT\$100,000 thousand in May of the same year; another cash capital increase of NT\$50,000 thousand in November of 2021, for a total investment of NT\$750,000 thousand as of December 2022. The equity percentage acquired remained at 100.0%. In 2023 and 2022, the Company recognized investment losses, based on the financial statements audited and certified by accountants, of NT\$47,274 thousand and NT\$89,691 thousand, respectively.

The Company's initial investment in Acenature Biotechnology in 2013 was NT\$5,000 thousand. The investment cost totaled NT\$5,000 thousand, and 100.0% of equity was acquired. The board resolution at the meeting held in April 2020 approved a cash capital increase of NT\$22,500 thousand. As of December 31, 2023, the investment cost totaled NT\$27,500 thousand. In 2023 and 2022, the Company recognized investment gains, based on the financial statements audited and certified by accountants, of NT\$(353) thousand and NT\$1,433 thousand, respectively.

2. The Company's associates are listed as follows:

| Investee              | Main businesses          | Establishment and operating location | Carrying amount  |                  | Ownership interests and voting right percentage held by the Company |            |
|-----------------------|--------------------------|--------------------------------------|------------------|------------------|---|------------|
|                       |                          |                                      | 2023.12.31       | 2022.12.31       | 2023.12.31  | 2022.12.31 |
| ADVANCE WISDOM LTD.   | Overseas holding company | Seychelles                           | \$ 13,135        | \$ 14,063        | 20.0%   | 20.0%      |
| ALPHA BRAVE INC.      | Overseas holding company | Seychelles                           | 12,974           | 13,887           | 20.0%   | 20.0%      |
| TIME GLORY CORP.      | Overseas holding company | Seychelles                           | 15,866           | 16,923           | 11.1%   | 11.1%      |
| CHAMPION LEGEND CORP. | Overseas holding company | Seychelles                           | 12,994           | 13,815           | 19.1%   | 19.1%      |
|                       |                          |                                      | <u>\$ 54,969</u> | <u>\$ 58,688</u> |   |            |

The total amounts of the Company's shares of associate companies recognized by the equity method in 2023 and 2022 were NT\$54,969 thousand and NT\$58,688 thousand, respectively, and the investment costs were both NT\$70,751 thousand. Except for the companies mentioned below, the remaining equity ownership percentages are all 20.0%.

The invested subsidiaries TIME GLORY CORP. and CHAMPION LEGEND CORP. went through a capital increase on February 5, 2020. The Company did not participate in the capital increase according to the shareholding, dropping the percentages from 20% in each to 11.1% and 19.1%, respectively. Although the shareholding is less than 20%, the Company has maintained a significant influence control of the companies, and the investment adopts the equity method. The increase in the net equity value of NT\$307 thousand due to the non-subscription of new shares according to the shareholding percentage was recognized as capital surplus; in addition, the exchange difference realized on translation of foreign operations was reclassified as disposal losses of NT\$789 thousand.

The invested subsidiaries ADVANCE WISDOM LTD., ALPHA BRAVE INC., TIME GLORY CORP., and CHAMPION LEGEND CORP. completed a capital increase in February 2022 for a total of NT\$2,812 thousand. The Company participated in the capital increase in accordance with the shareholding percentage. It has maintained significant control of each company, so the investments still adopt the equity method.

For 2023 and 2022, the share of profits and losses of associates and joint ventures recognized by the Company using the equity method was recognized based on the financial statements audited by other accountants.

The financial information of the Company's associates is summarized as follows: (not in the order of shareholding percentage)

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| Share of comprehensive income of associated accounted for using the equity method | ( \$ 2,270 )      | ( \$ 1,837 )      |
|   | <u>2022.12.31</u> | <u>2021.12.31</u> |
| Total assets  | \$ 341,690        | \$ 364,716        |
| Total liabilities   | \$ —              | \$ 81             |



|                            |                 |                 |
|----------------------------|-----------------|-----------------|
|                            | 2023 cumulative | 2022 cumulative |
| Total revenue              | \$ —            | \$ —            |
| Annual total profit (loss) | ( \$ 14,014 )   | ( \$ 10,966 )   |

(VI)Property, plant and equipment

|  |                   |                   |
|--|-------------------|-------------------|
|  | 2023.12.31        | 2022.12.31        |
| Own land   | \$ 170,453        | \$ 170,453        |
| Buildings and structures                               | 137,748           | 152,577           |
| Machinery and equipment                                | 368,804           | 391,045           |
| Other equipment  | 73,295            | 73,841            |
| Unfinished construction and equipment under acceptance | 211,776           | 77,984            |
|  | <u>\$ 962,076</u> | <u>\$ 865,900</u> |

|   | Own land          | Buildings and structures | Machinery and equipment | Other equipment   | Unfinished construction and equipment under acceptance | Total               |
|---|-------------------|--------------------------|-------------------------|-------------------|--|---------------------|
| <u>Cost</u>                                     |                   |                          |                         |                   |  |                     |
| Balance on 2023.1.1.                            | \$ 175,453        | \$ 651,951               | \$ 2,692,823            | \$ 432,319        | \$ 77,984  | \$ 4,030,530        |
| Additions                                       | —                 | 4,327                    | 37,032                  | 11,906            | 133,792  | 187,057             |
| Disposal  | —                 | ( 736 )                  | ( 6,006 )               | ( 1,454 )         | —  | ( 8,196 )           |
| Balance on 2023.12.31                           | <u>\$ 175,453</u> | <u>\$ 655,542</u>        | <u>\$ 2,723,849</u>     | <u>\$ 442,771</u> | <u>\$ 211,776</u>                                      | <u>\$ 4,209,391</u> |
|   | Own land          | Buildings and structures | Machinery and equipment | Other equipment   | Total  |                     |
| <u>Accumulated depreciation and impairments</u> |                   |                          |                         |                   |  |                     |
| Balance on 2023.1.1.                            | \$ 5,000          | \$ 499,374               | \$ 2,301,778            | \$ 358,478        | \$ 3,164,630   |                     |
| Depreciation expense                            | —                 | 19,106                   | 59,273                  | 11,971            | 90,350   |                     |
| Removal   | —                 |                          |                         |                   |  |                     |
| Disposal of Assets                              |                   | ( 686 )                  | ( 6,006 )               | ( 973 )           | ( 7,665 )  |                     |
| Balance on 2023.12.31                           | <u>\$ 5,000</u>   | <u>\$ 517,794</u>        | <u>\$ 2,355,045</u>     | <u>\$ 369,476</u> | <u>\$ 3,247,315</u>                                    |                     |

|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Unfinished construction and equipment under acceptance | Total        |
|---|------------|--------------------------|-------------------------|-----------------|--|--------------|
| <u>Cost</u>                                     |            |                          |                         |                 |  |              |
| Balance on 2022.1.1                             | \$ 161,177 | \$ 640,555               | \$ 2,615,365            | \$ 422,041      | \$ 25,562  | \$ 3,864,700 |
| Additions                                       | 14,276     | 11,396                   | 133,898                 | 18,112          | 52,422   | 230,104      |
| Disposal  | —          | —                        | ( 56,440)               | ( 7,834)        | —  | ( 64,274)    |
| Balance on 2022.12.31                           | \$ 175,453 | \$ 651,951               | \$ 2,692,823            | \$ 432,319      | \$ 77,984  | \$ 4,030,530 |
|   | Own land   | Buildings and structures | Machinery and equipment | Other equipment | Total  |              |
| <u>Accumulated depreciation and impairments</u> |            |                          |                         |                 |  |              |
| Balance on 2022.1.1                             | \$ 5,000   | \$ 479,683               | \$ 2,298,798            | \$ 354,008      | \$ 3,137,489   |              |
| Depreciation expense                            | —          | 19,691                   | 59,174                  | 11,483          | 90,348   |              |
| Removal - Disposal of Assets                    | —          | —                        | ( 56,194)               | ( 7,013)        | ( 63,207)  |              |
| Balance on 2022.12.31                           | \$ 5,000   | \$ 499,374               | \$ 2,301,778            | \$ 358,478      | \$ 3,164,630   |              |

The material components of the Company's buildings include the main factory building, lifting equipment, air-conditioning system, etc., and their service life is 2 to 50 years.

1. For collateral used by the Company as guarantee for borrowings or issue of corporate bonds as of December 31, 2023 and 2022, please refer to Note 8.
2. Land, buildings and structures, machinery and other equipment were reevaluated in accordance with the previous Generally Accepted Accounting Principles when they were used in 2012 as the recognized cost. In 2023 and 2022, property, factory buildings and other equipment were partially reevaluated due to disposal. The undistributed earnings from the lifting of restricted reversal of special reserves were NT\$28 thousand and NT\$6 thousand, respectively.
3. The insured amounts on December 31, 2023 and 2022 were \$2,459,675 thousand and \$2,250,662 thousand, respectively.

(VII)Lease agreement

- 1.The changes in the cost, depreciation and impairment loss of the Company's leased land, buildings and buildings are as follows:

|                              | Land      | Buildings and structures | Total     |
|------------------------------|-----------|--------------------------|-----------|
| Cost of right-of-use assets: |           |                          |           |
| Balance on January 1, 2023   | \$ 31,102 | \$ 7,224                 | \$ 38,326 |
| Additions                    | 723       | 9,131                    | 9,854     |
| Less                         | ( 1,459 ) | ( 2,712 )                | ( 4,171 ) |
| Balance on December 31, 2023 | \$ 30,366 | \$ 13,643                | \$ 44,009 |

|   | Land      | Buildings and structures | Total     |
|---|-----------|--------------------------|-----------|
| Depreciation and impairment loss of right-of-use assets |           |                          |           |
| Balance on January 1, 2023                              | \$ 7,130  | \$ 4,659                 | \$ 11,789 |
| Depreciation for the year                               | 3,433     | 2,015                    | 5,448     |
| Less  | ( 1,459 ) | ( 2,712 )                | ( 4,171 ) |
| Balance on December 31, 2023                            | \$ 9,104  | \$ 3,962                 | \$ 13,066 |
| Carrying amount:  |           |                          |           |
| December 31, 2023                                       | \$ 21,262 | \$ 9,681                 | \$ 30,943 |
|   | Land      | Buildings and structures | Total     |
| Cost of right-of-use assets:                            |           |                          |           |
| Balance on January 1, 2022                              | \$ 27,613 | \$ 4,512                 | \$ 32,125 |
| Additions   | 4,835     | 2,712                    | 7,547     |
| Less  | ( 1,346 ) | —                        | ( 1,346 ) |
| Balance on December 31, 2022                            | \$ 31,102 | \$ 7,224                 | \$ 38,326 |
|   | Land      | Buildings and structures | Total     |
| Depreciation and impairment loss of right-of-use assets |           |                          |           |
| Balance on January 1, 2022                              | \$ 4,332  | \$ 2,943                 | \$ 7,275  |
| Depreciation for the year                               | 3,405     | 1,716                    | 5,121     |
| Less  | ( 607 )   | —                        | ( 607 )   |
| Balance on December 31, 2022                            | \$ 7,130  | \$ 4,659                 | \$ 11,789 |
| Carrying amount:  |           |                          |           |
| December 31, 2022                                       | 23,972    | 2,565                    | 26,537    |

2.The details of lease liabilities are as follows:

|   | 2023.12.31 | 2022.12.31 |
|---|------------|------------|
| Carrying amount of lease liabilities          |            |            |
| Current                                       | \$ 6,147   | \$ 4,844   |
| Non-current                                   | \$ 24,683  | \$ 21,414  |
| Range of discount rates for lease liabilities |            |            |
| Right to land, buildings and structures       | 1.84%      | 1.84%      |

3.We lease land and houses under long-term leases used as warehouses, factory land and offices. The

lease period expires between 2024 and 2032. When the lease expires or is terminated, the buildings on the ground must be retained for the lessor. After the expiry of the lease, we have the priority right to renew the contract.

Our expected rent payable in the future is summarized as follows:

| Duration      | Amount    |
|---------------|-----------|
| Within 1 year | \$ 6,503  |
| 2 to 5 years  | 19,836    |
| Over 5 years  | 6,285     |
|               | \$ 32,624 |

#### 4. Lease liabilities/Operating lease

(1) The amounts recognized in profit or loss for leases are as follows:

|  | 2023     | 2022     |
|--|----------|----------|
| Interest expenses on lease liabilities   | \$ 417   | \$ 417   |
| Variable lease payments not included in the measurement of the lease liability     | \$ —     | \$ —     |
| Income from sublease of right-of-use assets  | \$ —     | \$ —     |
| Short-term lease expense   | \$ 2,895 | \$ 3,164 |
| Expenses on low-value leased assets (low-value leases excluding short-term leases) | \$ —     | \$ —     |

(2) Amounts recognized in the cash flow statement are as follows:

|                           | 2023     | 2022     |
|---------------------------|----------|----------|
| Total cash used in leases | \$ 8,177 | \$ 8,119 |

#### (VIII) Other non-current assets

|                           | 2023.12.31 | 2022.12.31 |
|---------------------------|------------|------------|
| Prepayments for equipment | \$ 12,405  | \$ 14,538  |
| Refundable deposit        | 7,623      | 2,142      |
|                           | \$ 20,028  | \$ 16,680  |

1. The capitalized interests of prepayment for equipment in 2023 and 2022 were NT\$3,520 thousand and NT\$2,367 thousand, respectively. Ranges of interest rates were 2.11% to 2.56% and 1.613% to 2.107%, respectively.

Please refer to Notes 8 for details of guarantee provision.

(IX) Short-term borrowings

|                                      | 2023.12.31          | 2022.12.31         |
|--------------------------------------|---------------------|--------------------|
| Short-term secured loans             | \$ 112,000          | \$ 100,000         |
| Funds borrowed to purchase materials | 223,579             | 222,864            |
|                                      | <u>\$ 335,579</u>   | <u>\$ 322,864</u>  |
|                                      | <u>2.11%~2.415%</u> | <u>1.95%~2.23%</u> |

Please refer to Notes 7 and 8 for details of guarantee provision.

(X) Other accounts payable

|                                    | 2023.12.31       | 2022.12.31        |
|------------------------------------|------------------|-------------------|
| Payroll payable                    | \$ 17,901        | \$ 21,089         |
| Payable on machinery and equipment | 11,296           | 39,337            |
| Other accrued expenses             | 62,467           | 70,487            |
|                                    | <u>\$ 91,664</u> | <u>\$ 130,913</u> |

(XI) Provisions -- Current

|   | 2023.12.31      | 2022.12.31      |
|---|-----------------|-----------------|
| Employee short-term paid-leave reserve    | \$ 5,624        | \$ 5,618        |
|   | <u>\$ 5,624</u> | <u>\$ 5,618</u> |
| 1. Employee short-term paid-leave reserve |                 |                 |
|   | 2023.12.31      | 2022.12.31      |
| Opening balance                           | \$ 5,618        | \$ 7,319        |
| Add (less)                                | 6               | ( 1,701 )       |
| Ending balance                            | <u>\$ 5,624</u> | <u>\$ 5,618</u> |

2. Provision is mainly based on history, experience, management judgment and other reasons that have been mentioned to estimate the likelihood of employee paid leave. It is expected that the provision will be used within one year.

(XII) Bonds payable

|   | 2023.12.31  | 2022.12.31  |
|---|-------------|-------------|
| First series domestic secured corporate bonds | \$ —        | \$ —        |
| Less: Discount on corporate bonds payable     | —           | —           |
|   | —           | —           |
| Less: Mature within one year                  | —           | —           |
|   | <u>\$ —</u> | <u>\$ —</u> |

1. The issuance criteria for the Company's first series domestic secured convertible bonds are as follows:

(1) The Company was approved by the competent authority to raise and issue the first series of domestic secured corporate bonds. The total issue amount was NT\$300,000 thousand, the par value was NT\$1,000 thousand, and bonds were issued in full at the par value on the issue date, with a coupon rate of 0.97%. The maturity period of 5 years is from November 22, 2017 to November 22, 2022. The principal is repaid in one payment at maturity, which is 5 years from the issue date. As of November 22, 2022, the repayment has been made, and the de-registration was completed on November 23, 2022.

(2) Simple interest payment on the coupon rate for the outstanding balance is made once a year starting the issue date. Interest is calculated to the one place of the NTD of the par value, and rounded up if the amount is less than one dollar. If the principal and interest payment date falls on the day when the payor bank of the place of payment is closed for the day, the principal and interest will be paid on the business day following the closed business day, and no additional interest will be paid. No additional interests are calculated paid for those who receive principal and interests after the principal and interest payment date.

(3) Land Bank of Taiwan performs the guarantee of the corporate bonds in accordance with the delegation guarantee contract.

2.As of December 31, 2022, the amortization of discount on bonds payable for the secured ordinary corporate bond was NT\$3,040 thousand.

3.The guarantee fee for the Company's issuance of secured corporate bonds is calculated at an annual rate of 11/1000, with one year as one period, and the annual guarantee fee receivable is NT\$3,333 thousand.

4.Please refer to Notes 7 for details of guarantee provision.

(XIII)Long-term borrowings

| Type of borrowings           | Maturity date | 2023.12.31 | 2022.12.31 |
|------------------------------|---------------|------------|------------|
| Secured loans                | 2038.07       | \$ 147,278 | \$ 220,816 |
|                              |               | 147,278    | 220,816    |
| Less: Mature within one year |               | ( 60,918 ) | ( 75,340 ) |
|                              |               | \$ 86,360  | \$ 145,476 |

| Type of borrowings                              | Maturity date | 2023.12.31 | 2022.12.31 |
|---|---------------|------------|------------|
| Long-term commercial paper payable              |               |            |            |
| Mega Bills Finance Co., Ltd. -- Taichung branch | 2025.05       | \$ 200,000 | \$ —       |
| Subtotal  |               | 200,000    | —          |
| Less: Discount on long-term notes payable       |               | ( 995 )    | —          |
|   |               | \$ 199,005 | \$ —       |
| Total   |               | \$ 285,365 | \$ 145,476 |

- 1.As of December 31, 2023, long-term secured loans from banks will mature between September 2024 and July 2038, and the repayments are in accordance with the agreements of each secured loan.
- 2.The Acelon Chemicals & Fiber Coporation signed a Delegation Guarantee Issuance of Commercial Paper Contract with Mega Bills Finance, and expiration dates of the original contracts were on May 31, 2024, Mega Bills Finance agreed on the premise that the Company complies with the Act Governing Bills Finance Business, performs various agreed matters according to the Contract without a breach of contract, and provides the Company's approved collaterals such as property and plants, the Company may apply for an extension to May 31, 2025 in accordance with the credit granting procedures. The Company met the criteria for an extension for each period, and the Contract was recognized as long-term loans.
- 3.2023 and 2022 ranges of interest rates for bank secured loans were 2.13% to 2.56% and 1.89% to 2.44%, respectively.
- 4.The interest rate for long-term notes payable in 2023 was 2.488%.
- 5.Please refer to Notes 7 and 8 for details of guarantee provision.

(XIV)Employee welfare

1. Defined benefit plans

The Company has established a retirement plan for employees based on the Labor Standards Act, which is considered a defined-benefit pension plan. According to the provisions of the plan, employee pensions are calculated based on years of service and the average salary the six months before retirement is approved. The Company contributes a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the labor retirement fund supervisory committee.

The composition, changes in present value, service costs recognized as expenses and key actuarial assumptions associated with the Company's defined-benefit obligations are explained as follows:

(1)Actuarial assumptions on the reporting date:

|                                  | <u>2023.12.31</u> | <u>2022.12.31</u> |
|----------------------------------|-------------------|-------------------|
| Discount rate                    | 1.3%              | 1.3%              |
| Expected future salary increases | 2.00%             | 2.00%             |

(2)Amounts of pension costs recognized as expenses related to the defined-benefit plan are listed as follows:

|   | <u>2023</u>   | <u>2022</u>   |
|---|---------------|---------------|
| Current service cost                                      | \$ 251        | \$ 311        |
| Net interest on the net defined benefit liability (asset) | 58            | 261           |
| Pension expense (benefit)                                 | <u>\$ 309</u> | <u>\$ 572</u> |

(3)The amounts included in the balance sheet of the Company's obligations arising from the defined-benefit plan are listed as follows:

|  | 2023.12.31   | 2022.12.31   |
|--|--------------|--------------|
| Defined benefit obligations                    | (\$ 14,358 ) | (\$ 98,192 ) |
| Fair value of plan assets                      | 10,618       | 92,976       |
| Net defined-benefit asset (liability)          | (\$ 3,740 )  | (\$ 5,216 )  |
| (Net defined benefit liability -- Non-current) |              |              |

(4)Changes in present value of defined benefit obligation:

|   | 2023       | 2022       |
|---|------------|------------|
| Beginning defined benefit obligations       | \$ 98,192  | \$ 115,868 |
| Current service cost                        | 251        | 311        |
| Interest cost of defined benefit obligation | 1,254      | 753        |
| Benefit payments                            | ( 84,693 ) | ( 6,861 )  |
| Actuarial gains or losses                   | ( 646 )    | ( 11,879 ) |
| Ending defined benefit obligations          | \$ 14,358  | \$ 98,192  |

(5)Changes in the fair value of plan assets in the current year are listed as follows:

|   | 2023       | 2022      |
|---|------------|-----------|
| Beginning fair value of plan assets     | \$ 92,976  | \$ 77,731 |
| Expected interest income on plan assets | 1,197      | 492       |
| Plan asset benefit payments             | ( 84,693 ) | ( 6,861 ) |
| Gain (loss) in return on plan assets    | ( 53 )     | 5,074     |
| Contributions by employer               | 1,191      | 16,540    |
| Ending fair value of plan assets        | \$ 10,618  | \$ 92,976 |

(6)Compositions in the percentage of the fair value of plan assets are listed as follows:

|                               | 2023.12.31 | 2022.12.31 |
|-------------------------------|------------|------------|
| Cash and cash equivalents     | 100.00%    | 100.00%    |
| Others                        | —          | —          |
| Fair value of plan assets (%) | 100.00%    | 100.00%    |

The expected rate of return on overall assets is based on historical return trends and analysts' forecasts of the assets' market during the lifetime of the relevant obligations, and with reference to the use of labor pension funds by the labor retirement fund supervisory committee, while considering that the minimum return is not lower than the 2-year time deposit interest from local banks. The actual returns on plan assets for 2023 and 2022 were \$1,144 thousand and \$5,566 thousand,



respectively.

The historical information on experience adjustment is listed as follows:

|   | 2023.12.31    | 2022.12.31    |
|---|---------------|---------------|
| Defined benefit obligations                   | ( \$ 14,358 ) | ( \$ 98,192 ) |
| Fair value of plan assets                     | 10,618        | 92,976        |
| Net defined-benefit asset<br>(liability)      | ( \$ 3,740 )  | ( \$ 5,216 )  |
| Experience adjustments on<br>plan liabilities | ( \$ 646 )    | ( \$ 11,879 ) |
| Experience adjustments on<br>plan assets      | \$ 53         | ( \$ 5,074 )  |

The Company recognized NT\$594 thousand and NT\$16,952 thousand of actuarial (loss) gain in other comprehensive income in 2023 and 2022, respectively; and the accumulated actuarial gains recognized in other comprehensive income was NT\$7,008 thousand as of December 31, 2023.

In 2023, the Company expected to allocate NT\$595 thousand to the defined-benefit plan in the next fiscal year.

## 2. Defined contribution plans

The Company has established a retirement plan for employees based on the Labor Pension Act, which is considered a defined-contribution plan. An amount equal to 6% of employees' monthly salaries and wages is allocated to employees' personal pension accounts at the Bureau of Labor Insurance on a monthly basis.

In accordance with the above relevant regulations, the Company's pension costs recognized as expenses in the statement of comprehensive income in 2023 and 2022 are explained as follows:

|  | 2023     | 2022     |
|--|----------|----------|
| Amount of contribution in the<br>defined contribution plan | \$ 6,230 | \$ 7,022 |
| Total pension cost   | \$ 6,230 | \$ 7,022 |

As of December 31, 2023, the overdue contribution amount that had not been paid to the plan for the reporting period of 2022 was NT\$1,386. The amount was paid after the end date of the reporting period.

3. Please refer to Note 6 (11) for information on the employee short-term paid-leave reserve.

## (XV)Capital

As of December 31, 2023 and 2022, the Company's authorized capital was \$3,000,000 thousand, and the paid-in capital was NT\$1,111,573 thousand, and there were 111,157 thousand shares in both years, with a par value of NT\$10.

## (XVI)Capital surplus

|  | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Issue of shares at premium   | \$ 244,864 | \$ 244,864 |
| Conversion premium from convertible<br>bonds   | 99,187     | 99,187     |
| Employee stock options -- Expired  | 21,411     | 21,411     |
| Trading of treasury stock  | 1,900      | 1,900      |
| Convertible bonds -- Expired stock options   | 62,631     | 62,631     |
| Loss of right of action for not claiming<br>dividends in previous years                  | 853        | 853        |
| Changes in shares of associates and joint<br>ventures recognized under the equity method | 307        | 307        |
|  | \$ 431,153 | \$ 431,153 |

1. According to the provisions of the Company Act, the capital surplus shall not be used except to make up for the Company's losses and to be allocated to working capital. Capital reserves should not be used to cover accumulated deficits unless the legal reserve is insufficient.
2. In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on the issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, the capitalization is limited to a certain percentage of the paid-in capital every year. In addition, changes in ownership interests in subsidiaries are recognized to offset losses.
3. On October 15, 2010, the board resolution approved the issue of 20,000 thousand new shares for a cash capital increase, of which 15%, a total of 3,000 thousand shares, was reserved for employees subscription. On October 25, 2010, the weighted average fair value of NT\$9.15 per share as calculated by the actual recognized remuneration cost of NT\$27,453 thousand. Actual employee stock subscription of NT\$6,744 thousand was transferred to the premium of the issued shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$20,709 thousand.
4. On September 30, 2014, the board resolution approved the issue of 5,000 thousand new shares for a cash capital increase, of which 15%, a total of 750 thousand shares, was reserved for employees subscription. On October 25, 2014, the weighted average fair value of NT\$0.95 per share as calculated by actuary recognized remuneration cost of NT\$713 thousand. Actual employee stock subscription of NT\$11 thousand was transferred to the premium of the issue shares, while the remaining recognized capital surplus -- expired employee stock options was NT\$702 thousand.
5. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put option has expired on January 14, 2016, so the relevant capital surplus was reclassified and adjusted by NT\$5,154 thousand.
6. For the domestic 3rd series unsecured convertible corporate bond issued by the Company, the put option has been exercised on September 24, 2017, so the relevant capital surplus was reclassified and adjusted by NT\$31,360 thousand.
7. For the domestic 2nd series unsecured convertible corporate bond issued by the Company, the put option has expired on January 14, 2018, so the relevant capital surplus was reclassified and adjusted by NT\$4,369 thousand.
8. Please refer to Note 6 (17) for the information on distribution of cash from capital surplus.

(XVII) Retained earnings

1. According to the Company's Articles of Incorporation, the surplus income after the final accounts are distributed to the following accounts in their respective order:
  - (1) Withholding taxes.
  - (2) Make up for past losses.
  - (3) Allocated 10% as legal reserve. If the legal reserve has reached the total share capital, no further allocations will be conducted.
  - (4) Allocated or reversed special reserve.
  - (5) The surplus is added to the accumulated undistributed earnings of the previous year to become the earnings available for distribution. The board reserves part of the earnings to meet the need of business operations, and then drafts a distribution proposal.

The allocation in the form of issuing new shares should be proposed to the shareholder meeting for resolution. Pursuant to Paragraph 5, Article 240 of the Company Act, the Company may authorize the board of directors to distribute dividends, profit-sharing, legal reserve and capital reserve (subject to compliance with Article 241 of The Company Act) wholly or partially in cash. Such decisions must be approved in a board meeting with at least two-thirds of directors present and supported by more than half of attending directors, and reported during a shareholder meeting afterwards.

2. In order to meet the needs of sustainable operations, capital expansion and healthy development, and in consideration of maximizing shareholder value, the Company's dividend policy shall appropriately distribute stock dividends and cash dividends in accordance with the Company's future capital expenditure budget and capital needs. The board is authorized to set the actual distribution percentage in accordance with the Company's capital status and capital budget situation.
3. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (20).
4. The legal reserve should be allocated until its total amount reaches the total paid-in capital. Legal reserve is used to make up for the Company's losses. If the Company has no losses, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed in newly issued stocks or cash to shareholders in proportion to their shareholding.
5. The profit distribution plan for the fiscal year 2023, as the Company incurred a net loss for the fiscal year 2023, the Board of Directors resolved on March 15, 2024, not to distribute dividends. The remaining resolution will be subject to the decision at the shareholders' meeting scheduled for June 21, 2024. For information regarding the proposed resolutions passed by the Board of Directors and the dividend distribution approved at the shareholders' meeting, please refer to the "Public Information Observation Platform" of the Taiwan Stock Exchange.
6. The resolution of the shareholder meeting on June 16, 2023 approved the motion to make up for the 2022 losses:

|                | 2022   |                            |
|----------------|--------|----------------------------|
|                | Amount | Dividends per share (NT\$) |
| Legal reserve  | \$ —   |                            |
| Cash dividends | —      | \$ —                       |
|                | \$ —   |                            |

7. The shareholder meeting resolution on June 29, 2022 approved the 2021 earnings distribution shown as follows:

|   | Accumulated<br>earnings<br>distribution | Dividends per<br>share (NT\$) |
|---|---|-------------------------------|
|   | 2021                                    | 2021                          |
| Beginning undistributed earnings  | \$ —                                    |                               |
| Add: Special reserve that can be reversed and released from restrictions (Note 1) | 2,485                                   |                               |
| Add: Net effect of remeasurement of defined-benefit plans                         | 2,714                                   |                               |
| Add: 2021 net income after taxes  | 177,878                                 |                               |
| Unappropriated earnings   | 183,077                                 |                               |
| Less: Allocated legal reserve   | ( 18,308 )                              |                               |
| Less: Make up the 2020 special reserve to make up for losses (Note 2)             | ( 75,502 )                              |                               |
| Earnings available for distribution in the current period                         | 89,267                                  |                               |
| Distributions:  |   |                               |
| Cash dividends  | ( 89,267 )                              | \$ 0.8031                     |
| Ending undistributed earnings   | \$ —                                    |                               |
|   | Distribution of<br>capital surplus      |                               |
|   | 2021                                    |                               |
| Issue of shares at premium  | \$ 266,755                              |                               |
| Distributions:  |   |                               |
| Cash dividends  | ( 21,890 )                              | \$ 0.1969                     |
| Balance after distribution  | \$ 244,865                              |                               |

Note 1: 2021 reversal of restricted special reserve that has been disposed of

Note 2: According to the provisions of the Tai-Tsai-Zheng-Yi-Zi Document #0910128347, if the Company has used special earned surplus to make up for losses, it should prioritize making up for the shortfall of the special earned surplus in the future years with surplus before distributing earnings.

(XVIII) Operating revenue

|                                       | 2023         | 2022         |
|---------------------------------------|--------------|--------------|
| Sales income                          | \$ 1,977,363 | \$ 2,471,328 |
| Sales return and discount             | ( 11,776 )   | ( 29,155 )   |
| Net purchase                          | \$ 1,965,587 | \$ 2,442,173 |
|                                       | 2023         | 2022         |
| Revenue from contracts with customers |              |              |
| Revenue from product sales            | \$ 1,965,587 | \$ 2,442,173 |
| Net purchase                          | \$ 1,965,587 | \$ 2,442,173 |

(1) Disaggregation of revenue

|               | 2023                | 2022                |
|---------------|---------------------|---------------------|
| Main products |                     |                     |
| Yarn          | \$ 576,788          | \$ 788,768          |
| Textured yarn | 1,232,947           | 1,429,091           |
| Others        | 155,852             | 224,314             |
|               | <u>\$ 1,965,587</u> | <u>\$ 2,442,173</u> |

Cut-off point of revenue recognition

|                                      | 2023                | 2022                |
|--------------------------------------|---------------------|---------------------|
| Cut-off point of revenue recognition |                     |                     |
| Goods sales –                        |                     |                     |
| At a point in time                   | \$ 1,965,587        | \$ 2,442,173        |
|                                      | <u>\$ 1,965,587</u> | <u>\$ 2,442,173</u> |

(2) Contract balance

As of December 31, 2023 and 2022, the balance of contract liabilities from goods sales were NT\$4,128 thousand and NT\$9,711 thousand, respectively. Changes in contract liabilities are primarily attributable to differences in the timing of fulfilling performance obligations and the timing of payment by customers.

(XIX) Non-operating income and expenses

1. Other income

|                                      | 2023             | 2022             |
|--------------------------------------|------------------|------------------|
| Rental income                        | \$ 84            | \$ 76            |
| Revenue from other government grants | 2,855            | 4,306            |
| Other income -- Others               | 17,984           | 16,162           |
|                                      | <u>\$ 20,923</u> | <u>\$ 20,544</u> |

2. Other benefits and losses

|   | 2023            | 2022             |
|---|-----------------|------------------|
| Gains (losses) on disposal of property, plant and equipment     | (\$ 465)        | (\$ 555)         |
| Gain (loss) on foreign exchange                                 | 7,220           | 60,923           |
| Gains (losses) on valuation of financial assets and liabilities | —               | 3,634            |
| Other miscellaneous expenses                                    | ( 1,623)        | ( 1,885)         |
|   | <u>\$ 5,132</u> | <u>\$ 62,117</u> |

3. Finance costs

|                            | 2023      | 2022      |
|----------------------------|-----------|-----------|
| Interest expense           | \$ 15,709 | \$ 11,951 |
| Less: Capitalized interest | ( 3,520)  | ( 2,367)  |
|                            | \$ 12,189 | \$ 9,584  |

(XX)Employee benefits, depreciation, depletion and amortization in the current period

|                                 |    | 2023            |                    |            |
|---------------------------------|----|-----------------|--------------------|------------|
|                                 |    | Operating costs | Operating expenses | Total      |
| Employee benefits expenses      |    |                 |                    |            |
| Payroll expenses                | \$ | 148,904         | \$ 38,097          | \$ 187,001 |
| Labor and health insurance fees |    | 17,081          | 5,268              | 22,349     |
| Pension expense                 |    | 4,533           | 2,387              | 6,920      |
| Directors' remuneration         |    | —               | 4,487              | 4,487      |
| Other benefit expenses          |    | 8,369           | 2,078              | 10,447     |
| Depreciation expense            |    | 92,370          | 3,428              | 95,798     |
| Amortization expense            |    | 18,611          | 2,651              | 21,262     |
|                                 |    | 2022            |                    |            |
|                                 |    | Operating costs | Operating expenses | Total      |
| Employee benefits expenses      |    |                 |                    |            |
| Payroll expenses                | \$ | 161,220         | \$ 49,391          | \$ 210,611 |
| Labor and health insurance fees |    | 18,104          | 7,779              | 25,883     |
| Pension expense                 |    | 4,699           | 2,895              | 7,594      |
| Directors' remuneration         |    | —               | 3,611              | 3,611      |
| Other benefit expenses          |    | 9,256           | 3,118              | 12,374     |
| Depreciation expense            |    | 91,874          | 3,595              | 95,469     |
| Amortization expense            |    | 12,104          | 450                | 12,554     |

According to provisions of the Articles of Incorporation, 3-5% of the profit of the current year is distributable as employee remuneration and no higher than 4% of the profit of the current year is distributable as remuneration to directors. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses, before using the remaining profit for distribution of remuneration. Employee bonus may be paid in stock or cash, and director bonus can only be paid in cash. The employees to whom the Company distributes remuneration, issues restricted stock award, share subscription warrants, subscription of new shares and transfers repurchased shares should be

those who meet the criteria of being in the Company or affiliated companies of which the Company has more than 50% of the ownership. The Audit Committee now performs duties of former supervisors. Matters related to the payment of employee remuneration and directors' remuneration are handled in accordance with relevant laws and regulations, determined by the board, and reported to the shareholder meetings.

The 2023 and 2022 remuneration to employees and directors are estimated based on the net profit before tax for the year before deduction of remuneration for employees and directors and are all NT\$0 thousand.

The board meeting on March 21, 2023 and the shareholder meeting on June 16, 2023 approved the 2022 remuneration of NT\$0 thousand to employees and directors, which is consistent with the amount recognized in the 2022 financial report.

The board meeting held on March 15, 2024 resolved to issue 2023 remuneration of NT\$0 thousand to employees and directors, which is consistent with the amount recognized in the 2023 financial report.

Information about employees' remuneration and directors' and supervisors' remuneration of the Company as resolved by the board and approved by the shareholder meeting will be posted in the Market Observation Post System.

As of December 31, 2023 and 2022, there were 316 and 363 employees, respectively. Among these, 8 directors did not hold any concurrent employee positions.

The additional disclosure information on employee benefit expenses in 2023 and 2022 is as follows:

1. The employee benefit expense for 2023 is \$736 thousand ((Current year's total employee benefit expense - Remunerations to directors) / (Current year's number of employees - Number of directors who do not hold concurrent employee positions)).
2. The employee benefit expense for 2022 was \$722 thousand ((Previous year's total employee benefit expense - Remunerations to directors) / (Previous year's number of employees - Number of directors who do not hold concurrent employee positions)).
3. Average employee salary expense for 2023 was \$607 thousand (Total salary expense for the current year / "Number of employees for the current year - Number of directors who do not hold concurrent employee positions").
4. Average employee salary expense for 2022 was \$593 thousand (Total salary expense for the previous year / "Number of employees for the previous year - Number of directors who do not hold concurrent employee positions").
5. The average of employee salary expense is adjusted by 2.36% ((This year's average of employee salary expense - Previous year's average of employee salary expense) / Previous year's average of employee salary expense)).
6. The Company's salary and remuneration policy:

(1) Overall remuneration policy

50% of the average market price for general positions, and 75% to 90% higher than the average market price for key positions or where market supply and demand are out of balance.

(2) Starting salary for new employees

We have salary management measures which clearly stipulate the starting salary for new employees.

(3) Salary adjustment

a. New hires

After the probation period, the salary of new hires may be adjusted by the unit supervisor's approval in accordance with the salary management measures.

b. Current employees

(a) When an employee is promoted, the salary is adjusted in accordance with the salary management measures.

(b) When an employee gets transferred from an administrative or technical position to a managerial position, the salary is adjusted in accordance with the salary management measures.

(c) For employees who display outstanding performance but there are no higher positions a rank higher for promotion, the head of the unit will report the specific performance and contribution to the president for approval of individual salary adjustment.

(4) Salaries expense investment

The overall remuneration of individual employees and the total cost of remuneration for all employees must be considered from the Company's long-term interests to ensure a stable investment in human capital.

(5) According to subparagraph 14 of Article 14 of the Articles of Incorporation, "The remuneration of directors is subject to Article 196 of the Company Act". The board is authorized to determine the remuneration based on their level of participation in and contribution to the Company's operation. The remuneration follows the standard among industry peers. The remuneration of the chairman shall be calculated based on the income received from the president. The remuneration of the remaining directors shall be paid at a standard that does not exceed the highest salary of the company's employee salary scale.



(XXI)Income tax

1. Income tax recognized in profit or loss

|  | 2023          | 2022     |
|--|---------------|----------|
| Current income tax   |               |          |
| Current adjustment based on the income tax in the previous year                              | —             | 647      |
| Total current tax  | —             | 647      |
| Deferred income tax  |               |          |
| Loss deduction   | ( 10,692 )    | ( 932 )  |
| Deferred tax expense (benefit) relating to origination and reversal of temporary differences | ( 1,849 )     | 5,950    |
| Income tax expense (benefit)   | ( \$ 12,541 ) | \$ 5,665 |

(1)Components of income tax expense:

The accounting income for the current year and the income tax expenses recognized in profit and loss are adjusted as follows:

|  | 2023          | 2022        |
|--|---------------|-------------|
| Net profit before tax (net loss)   | \$ (163,890)  | \$ (61,079) |
| Tax calculated based on profit before tax and statutory tax rate                     | \$ (32,778)   | \$ (12,216) |
| Effect of adjustments on income tax  |               |             |
| Current adjustment based on the income tax expense in the previous year              | —             | 647         |
| Value-added tax on disposal of investment property and land                          | —             | —           |
| Amounts affected by items that are not included in the calculation of taxable income | 359           | 60          |
| Previous unrecognised temporary differences used to reduce current income tax        | —             | —           |
| Unrecognised temporary differences and loss deduction                                | 19,878        | 17,174      |
| Income tax expense (benefit) recognized in profit or loss                            | ( \$ 12,541 ) | \$ 5,665    |

(2)Income tax recognized in other comprehensive income

|   | 2023   | 2022     |
|---|--------|----------|
| Income tax expense (benefit)                      |        |          |
| Related to remeasurement of defined-benefit plans | \$ 119 | \$ 3,390 |
|   | \$ 119 | \$ 3,390 |

2. Attribution of deferred income tax assets and liabilities:

| 2023   | Opening<br>balance | Current<br>changes | Ending balance |
|--|--------------------|--------------------|----------------|
| Temporary difference                         |                    |                    |                |
| Debit/(Credit) income statement              |                    |                    |                |
| Unrealized loss on inventory                 | \$ 7,517           | \$ 1,420           | \$ 8,937       |
| Net defined benefit liability -- Non-current | 6,156              | ( 2,390 )          | 3,766          |
| Employee short-term paid-leave reserve       | 1,124              | 1                  | 1,125          |
| Others                                       | 1,071              | 2,818              | 3,889          |
| Subtotal                                     | 15,868             | 1,849              | 17,717         |
| Loss deduction                               | 8,262              | 10,692             | 18,954         |
| Debit/(Credit) other comprehensive income    |                    |                    |                |
| Remeasurement of defined-benefit plans       | ( 1,281 )          | ( 119 )            | ( 1,400 )      |
| Deferred income tax assets                   | \$ 22,849          | \$ 12,422          | \$ 35,271      |

| 2022   | Opening<br>balance | Current<br>changes | Ending balance |
|--|--------------------|--------------------|----------------|
| Temporary difference                         |                    |                    |                |
| Debit/(Credit) income statement              |                    |                    |                |
| Unrealized loss on inventory                 | \$ 10,877          | ( \$ 3,360 )       | \$ 7,517       |
| Net defined benefit liability -- Non-current | 9,334              | ( 3,178 )          | 6,156          |
| Employee short-term paid-leave reserve       | 1,464              | ( 340 )            | 1,124          |
| Others                                       | 143                | 928                | 1,071          |
| Subtotal                                     | 21,818             | ( 5,950 )          | 15,868         |
| Loss deduction                               | 7,330              | 932                | 8,262          |
| Debit/(Credit) other comprehensive income    |                    |                    |                |
| Remeasurement of defined-benefit plans       | 2,109              | ( 3,390 )          | ( 1,281 )      |
| Deferred income tax assets                   | \$ 31,257          | ( \$ 8,408 )       | \$ 22,849      |

Part of the deferred income tax assets and liabilities are expressed as the net amount after offset because the taxpayer and the tax authority are the same.

3. Deductible temporary difference unrecognised as deferred income tax assets and unused tax losses:

|                                      | 2023.12.31       | 2022.12.31       |
|--------------------------------------|------------------|------------------|
| Impairment loss                      | \$ 1,800         | \$ 1,800         |
| Allowance for bad debts              | 2,886            | 2,886            |
| Loss in long-term equity investments | 63,556           | 53,577           |
| Loss deduction                       | 18,954           | 8,262            |
| Loss on disposal of investments      | 158              | 158              |
|                                      | <u>\$ 87,354</u> | <u>\$ 66,683</u> |

4. Unused loss deduction and tax exemption:

As of December 31, 2023, the relevant information on loss deduction is as follows:

| Loss year | Balance not yet deducted | Final year of deduction |                                |
|-----------|--------------------------|-------------------------|--------------------------------|
| 2019      | \$ 74,666                | 2029                    | (Approved)                     |
| 2022      | 5,569                    | 2032                    | (Number to be filed)           |
| 2023      | 109,302                  | 2033                    | (Estimated number to be filed) |
|           | <u>\$ 189,537</u>        |                         |                                |

5. The Company's 2021 income tax settlement and declaration have been reviewed and approved by the tax authority as of December 31, 2023.

(XXII)Earnings (loss) per share

The numerator and denominator for calculating earnings per share are disclosed as follows:

|                          |   | 2023             |  |                                  |
|--------------------------|---|------------------|--|----------------------------------|
|                          |   | Amount after tax | Weighted average share outstanding (thousand shares) | Earnings (loss) per share (NT\$) |
| Basic earnings per share | Net profit (loss) for the year attributable to the parent company | ( \$ 151,349 )   | 111,157  | ( \$ 1.36 )                      |
|                          |   | 2022             |  |                                  |
|                          |   | Amount after tax | Weighted average share outstanding (thousand shares) | Earnings (loss) per share (NT\$) |
| Basic earnings per share | Net profit (loss) for the year attributable to the parent company | ( \$ 66,744 )    | 111,157  | ( \$ 0.60 )                      |

(XXIII)Capital management

Based on the characteristics of the current industry and the future development of the Company, and considering factors such as changes in the external environment, we plan the working capital and dividend payments needed in the future to ensure that the Company can continue to operate, reward shareholders and

take into account the interests of stakeholders, and maintain the optimal capital structure to enhance shareholder value in the long run.

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares, return cash capital to shareholders, or buy back the Company's shares.

Our management regularly reviews the capital structure and considers possible risks and opportunities with which it may be associated. In general, we adopt a prudent risk management strategy.

(XXIV)Supplemental cash flow information

Investing activities with partial cash payments:

|  | 2023       | 2022       |
|--|------------|------------|
| Purchase of property, plant and equipment    | \$ 187,057 | \$ 230,104 |
| Add: Opening balance of payable on equipment | 39,337     | 22,117     |
| Less: Ending balance of payable on equipment | ( 11,296 ) | ( 39,337 ) |
| Cash paid during the year                    | \$ 215,098 | \$ 212,884 |

(XXV)Changes in liabilities arising from financing activities

|  | Balance on<br>2023.01.01 | Cash flow         | Non-cash<br>transactions | Balance on<br>2023.12.31 |
|--|--------------------------|-------------------|--------------------------|--------------------------|
| Short-term borrowings                                    | \$ 322,864               | \$ 12,715         | \$ —                     | \$ 335,579               |
| Corporate bonds payable<br>(including current portion)   | —                        | 200,000           | —                        | 200,000                  |
| Long-term bank borrowings<br>(including current portion) | 220,816                  | ( 73,538)         | —                        | 147,278                  |
| Lease liabilities -- (Current and non-current)           | 26,258                   | ( 5,282)          | 9,854                    | 30,830                   |
|  | <u>— 569,938</u>         | <u>\$ 133,895</u> | <u>\$ 9,854</u>          | <u>\$ 713,687</u>        |

|  | Balance on<br>2022.01.01 | Cash flow        | Non-cash<br>transactions | Balance on<br>2022.12.31 |
|--|--------------------------|------------------|--------------------------|--------------------------|
| Short-term borrowings                                    | \$ —                     | \$ 322,864       | \$ —                     | \$ 322,864               |
| Corporate bonds payable<br>(including current portion)   | 300,000                  | ( 300,000)       | —                        | —                        |
| Long-term bank borrowings<br>(including current portion) | 185,866                  | 34,950           | —                        | 220,816                  |
| Lease liabilities -- (Current and non-current)           | 24,405                   | ( 4,955)         | 6,808                    | 26,258                   |
|  | <u>\$ 510,271</u>        | <u>\$ 52,859</u> | <u>\$ 6,808</u>          | <u>\$ 569,938</u>        |

VII. Related party transaction

(I) Name and nature of relationship of the related parties

| Name of the related parties                | Relationship with the Company |
|--|-------------------------------|
| Wen-Tung Chou                              | Chairman of the Company       |
| Wen-Po Yang                                | Director of the Company       |
| Ming-Yi Lai                                | Vice president                |
| Acegreen Eco-Material Technology Co., Ltd. | 100% wholly owned subsidiary  |
| Acenature Biotechnology Co., Ltd.          | 100% wholly owned subsidiary  |

(II) Transaction details between the Company and its subsidiaries are disclosed as follows:

1. Operating revenue

| Name of the related parties                | 2023      | 2022      |
|--|-----------|-----------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 4,622  | \$ 7,365  |
| Acenature Biotechnology Co., Ltd.          | 9,993     | 12,875    |
|  | \$ 14,615 | \$ 20,240 |

The Company's sales to related parties adopts the pricing in regular sales. As a way to show support of subsidiaries' operation, the sales is not subject to the restrictions of payment terms.

2. Purchase

| Name of the related parties                | 2023   | 2022   |
|--|--------|--------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 328 | \$ 645 |
| Acenature Biotechnology Co., Ltd.          | —      | 2      |
|  | \$ 328 | \$ 647 |

There are no material abnormalities in the transaction prices of the related party compared to that of non-related parties.

3. Manpower support for other companies (including deduction in operating costs and operating expenses)

| Name of the related parties                | 2023     | 2022      |
|--|----------|-----------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 4,836 | \$ 9,612  |
| Acenature Biotechnology Co., Ltd.          | 1,087    | 1,632     |
|  | \$ 5,923 | \$ 11,244 |

4. Manufacturing expenses

| Name of the related parties                | 2023   | 2022   |
|--|--------|--------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 800 | \$ 610 |
| Acenature Biotechnology Co., Ltd.          | \$ 111 | \$ —   |
|  | 911    | 610    |

5. Operating expenses

| Name of the related parties                | 2023   | 2022   |
|--|--------|--------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 38  | \$ 222 |
| Acenature Biotechnology Co., Ltd.          | 466    | 346    |
|  | \$ 504 | \$ 568 |

6. Notes receivable and accounts receivable

| Name of the related parties                | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 210     | \$ 6,432   |
| Acenature Biotechnology Co., Ltd.          | 820        | 665        |
|  | \$ 1,030   | \$ 7,097   |

7. Other receivables

| Name of the related parties                | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 884     | \$ 31,282  |
| Acenature Biotechnology Co., Ltd.          | 161        | 352        |
|  | \$ 1,045   | \$ 31,634  |

8. Accounts payable

| Name of the related parties                | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 5       | \$ 494     |
| Acenature Biotechnology Co., Ltd.          | 64         | 160        |
|  | \$ 69      | \$ 654     |

9. Other income

| Name of the related parties                | 2023     | 2022     |
|--|----------|----------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 2,851 | \$ 1,491 |
| Acenature Biotechnology Co., Ltd.          | 56       | 178      |
|  | \$ 2,907 | \$ 1,669 |

10. Revenue form sale of scraps

| Name of the related parties                | 2023  | 2022 |
|--|-------|------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 25 | \$ — |
|  | \$ 25 | \$ — |

11. Loans to related parties

(1) Other receivables

| Name of the related parties                | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ —       | \$ —       |

(2)Interest income

| Name of the related parties                | 2023  | 2022   |
|--|-------|--------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 41 | \$ 645 |

12. Guarantee deposit received

| Name of the related parties                | 2023.12.31 | 2022.12.31 |
|--|------------|------------|
| Acegreen Eco-Material Technology Co., Ltd. | \$ 12      | \$ 12      |
|  | \$ 12      | \$ 12      |

13. Endorsement and guarantee

(1) The details of the amount of guarantee provided by the Company for related parties to apply for bank loans are as follows:

| Name of the related parties                | 2023.12.31   | 2022.12.31   |
|--|--------------|--------------|
|  | Amount       | Amount       |
| Acegreen Eco-Material Technology Co., Ltd. | \$ 1,250,000 | \$ 1,294,015 |
|  | \$ 1,250,000 | \$ 1,294,015 |

(2) The Company and Chairman Wen-Tung Chou serve as the joint guarantors for loans to the Company's subsidiary Acegreen Eco-Material Technology Co., Ltd.

(3) Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai and the subsidiary Acegreen Eco-Material Technology Co., Ltd. serve as joint guarantor for the issue of 2017 first series secured corporate bonds, and the joint guarantee was terminated in January 2022.

(4) Chairman Wen-Tung Chou, director Wen-Po Yang, Vice President Ming-Yi Lai serve as joint guarantors for the Company's borrowings.

14. Others

The shareholder general meeting held on June 20, 2001 resolved that 1% of guarantee amount provided by directors and supervisors for the Company's borrowings should be appropriated as joint guarantee remuneration for directors and supervisors, calculated according to the separate guarantee period. Starting October 2003, 1% remuneration was reduced to 0.5% for credit loans, and for pledged loans, the 0.5% remuneration was reduced to 0.25%. In 2023 and 2022, the joint guarantee remuneration for directors and supervisors were NT\$1,623 thousand and NT\$869 thousand, respectively.

15. Compensation of key management personnel

|                              | 2023.12.31 | 2022.12.31 |
|------------------------------|------------|------------|
| Short-term employee benefits | \$ 12,266  | \$ 13,018  |
| Post-employment benefits     | 88         | 51         |
| Total                        | \$ 12,354  | \$ 13,069  |

## VIII. Pledge assets

The breakdown of assets pledged by the Company as collaterals are as follows:

| Asset name  | 2023.12.31        | 2022.12.31        | Purpose  |
|---|-------------------|-------------------|--|
| Notes receivable  | \$ 64,504         | \$ 57,227         | Long- and short-term borrowings  |
| Other financial assets --<br>Current (including<br>non-current) | 73,189            | 74,016            | Technology project guarantee, long-term<br>borrowings, short-term borrowings |
| Property, plant and<br>equipment                                | 477,648           | 491,318           | Long- and short-term borrowings  |
|   | <u>\$ 615,341</u> | <u>\$ 622,561</u> |  |

## IX. Material contingent liabilities and unrecognised contractual commitments

(I) As of December 31, 2023, the balance of unused letters of credit issued by the Company for imported raw materials or equipment included JPY 16,300 thousand, and NTD 258,725 thousand.

(II) The Company acted as the guarantor for endorsement of the related party Acegreen Eco-Material Technology Co., Ltd. to take loans from Mega International Commercial Bank, at NT\$100,000 thousand; Mega Bills Finance, at NT\$1,100,000 thousand; and Taichung Commercial Bank, at NT\$50,000 thousand (totaling NT\$1,250,000 thousand).

(III) We intend to purchase new production equipment for the needs of business expansion. Contracts worth a total amount of NTD 249,420 thousand (including tax) have been signed for the purchase of property, plants and equipment. As of December 31, 2023, a purchase amount of NT\$69,559 thousand (including tax) has not been paid.

X. Losses due to material disasters: None.

## XI. Material subsequent issues:

For operational needs, the board of directors of our company resolved on January 26, 2024, to establish a new subsidiary. The proposed registered capital for the subsidiary is NT\$200,000 thousand. The chairman is duly authorized to inject capital into the subsidiary in installments, as per actual operational needs, within the specified limit. The establishment of the subsidiary was completed on February 29, 2024.

## XII. Others

Financial instruments

(I) Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including estimated interest (excluding long-term and short-term borrowings and corporate bonds payable) and excluding the impact of netting agreements for derivative liabilities:

|   | 2023.12.31          |                       |                   |                   |                  |
|---|---------------------|-----------------------|-------------------|-------------------|------------------|
|   | Carrying amount     | Contractual cash flow | Within 1 year     | 1 to 5 years      | Over 5 years     |
| <b><u>Non-derivative financial liabilities</u></b>    |                     |                       |                   |                   |                  |
| Short-term borrowings                                 | \$ 335,579          | \$ 335,579            | \$ 335,579        | \$ —              | \$ —             |
| Accounts payable                                      | 317,868             | 317,868               | 317,644           | 224               | —                |
| Long-term bank borrowings<br>(Mature within one year) | 147,278             | 147,278               | 60,918            | 69,215            | 17,145           |
| Long-term notes payable                               | 199,005             | 200,000               | —                 | 200,000           | —                |
| Lease liabilities<br>(current and non-current)        | 30,830              | 32,624                | 6,503             | 19,836            | 6,285            |
|   | <u>\$ 1,030,560</u> | <u>\$ 1,033,349</u>   | <u>\$ 720,644</u> | <u>\$ 289,275</u> | <u>\$ 23,430</u> |



|   | 2022.12.31        |                       |                   |                   |                  |
|---|-------------------|-----------------------|-------------------|-------------------|------------------|
|   | Carrying amount   | Contractual cash flow | Within 1 year     | 1 to 5 years      | Over 5 years     |
| <b><u>Non-derivative financial liabilities</u></b>    |                   |                       |                   |                   |                  |
| Short-term borrowings                                 | 322,864           | \$ 322,864            | \$ 322,864        | \$ —              | \$ —             |
| Accounts payable                                      | 329,417           | 329,417               | 328,970           | 447               | —                |
| Long-term bank borrowings<br>(Mature within one year) | 220,816           | 220,816               | 75,340            | 126,246           | 19,230           |
| Lease liabilities<br>(current and non-current)        | 26,258            | 28,443                | 5,251             | 14,103            | 9,089            |
|   | <u>\$ 899,355</u> | <u>\$ 901,540</u>     | <u>\$ 732,425</u> | <u>\$ 140,796</u> | <u>\$ 28,319</u> |

The Company does not expect that the cash flow analyzed for the maturity date will be significantly earlier or the actual amount will be significantly different.

## (II)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk and interest rate risk.

### 1.Foreign exchange risk

Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

We have certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. We also use forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. The aforementioned natural hedge and forward exchange contract in managing exchange risk do not comply with the rules of hedge accounting, so we have not adopted hedge accounting.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk and interest rate risk.

### 2.Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from floating-rate loans.

3. The pre-tax sensitivity analysis of related risk changes in 2023 and 2022 is as follows:

| 2023                  |                                 |                            |
|-----------------------|---------------------------------|----------------------------|
| Major risks           | Fluctuation                     | Profit or loss sensitivity |
| Foreign exchange risk | NTD/USD exchange rate +/- 1%    | 2,727 thousand             |
| Interest rate risk    | Market rate +/- 10 basis points | 682 thousand               |
| 2022                  |                                 |                            |
| Major risks           | Fluctuation                     | Profit or loss sensitivity |
| Foreign exchange risk | NTD/USD exchange rate +/- 1%    | 3,675 thousand             |
| Interest rate risk    | Market rate +/- 10 basis points | 544 thousand               |

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
  - Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
  - Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3: Unobservable inputs for the asset or liability.
2. Financial instruments not measured at fair value, including the carrying amounts of financial assets and liabilities measured at amortised cost as reasonable approximation of fair value.
3. For financial assets traded in an active market, their fair value is determined based on market quotation price on the balance sheet date. When quotes are readily and regularly available from a stock exchange, dealer, broker, industry, rating agency or regulatory agency, and such quotes represent actual and regular market transactions on an arm's length basis, the market is considered an active market. The quoted price of financial assets held by the Group is the closing price, and the instruments are considered in Level 1. Level 1 instruments primarily include equity instruments and debt instruments, which are classified as financial assets and liabilities at fair value measurement through profit or loss.
4. For financial instruments that are not traded in an active market (such as derivatives traded over the counter), the fair value is determined using valuation techniques. Valuation techniques use as much possible observable market data (if available) and rely as little as possible on company-specific estimates. If all significant inputs required to calculate fair value of an instrument are observable, the instrument is included in Level 2.
5. If one or more significant inputs are not obtained based on observable market data, the financial instrument is in Level 3.
6. Specific valuation techniques used to value financial instruments include:
  - (1) Open market quotations or dealer quotations for instruments of the same type.
  - (2) The fair value of interest rate exchange is the present value of the estimated future cash flow discounted according to the observable yield curve.
  - (3) The fair value of a forward exchange contract is determined by discounting the forward exchange rate on the balance sheet date to the present value.
  - (4) Other valuation techniques to determine the fair value of other financial instruments, such as

discounted cash flow analysis.

7. There were no transfers between Level 1 and 2 in the periods between January 1 and December 31, 2023 and 2022.

8. Between January 1 and December 31, 2023 and 2022, there were no transfers in or out of Level 3.

(IV) Financial risk management

The Company's principal financial risk management objective is to manage the exchange rate risk, interest rate risk, credit risk and liquidity risk related to its operating activities. We are committed to identifying, assessing and avoiding market uncertainties to minimize potential adverse effects on the Company's financial performance due to changes in financial markets.

Before entering into significant transactions, due approval process by the board must be carried out based on related standards and internal control protocols. During the implementation of the financial plan, the Company must prudently follow the relevant financial operating procedures regarding overall financial risk management and division of powers and responsibilities.

(V) Significant influence on financial assets and liabilities denominated in foreign currencies

Entities' significant influence on financial assets and liabilities denominated in foreign currencies:

|                              | 2023.12.31          |                  | 2022.12.31          |                  |
|------------------------------|---------------------|------------------|---------------------|------------------|
|                              | Foreign<br>currency | Exchange<br>rate | Foreign<br>currency | Exchange<br>rate |
| <u>Financial assets</u>      |                     |                  |                     |                  |
| Monetary items               |                     |                  |                     |                  |
| US dollars                   | \$ 8,899            | 30.7             | \$ 12,104           | 30.84            |
| Euro                         |                     |                  | 47                  | 32.19            |
| Non-monetary items           |                     |                  |                     |                  |
| Japanese yen                 |                     |                  | 27,552              | 0.24             |
| <u>Financial liabilities</u> |                     |                  |                     |                  |
| Monetary items               |                     |                  |                     |                  |
| US dollars                   | \$                  |                  | \$ 187              | 31.04            |
| Japanese yen                 |                     |                  | 24,000              | 0.23             |
| Non-monetary items           |                     |                  |                     |                  |
| US dollars                   | 50                  | 30.97            | 189                 | 30.67            |

XIII. Supplementary Disclosures

(I) Significant transactions information

- Loans to others: Table 1.
- Provision of endorsements and guarantees to others: Table 2.
- Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of property exceeding \$300 million or 20% of paid-in capital or more: None.

6. Disposal of property exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Financial instruments and derivative transactions: None.

(II) Information on investees:

Names, locations and other information of investee companies: Table 3.

(III) Information on investments in China: None.

(IV) Information on principal shareholders: Table 4.

XIV. Operating Segments Information

The Company has disclosed the operating department information in the 2023 consolidated financial report in accordance with the regulation.

Table 1  
Loans to others  
2023

(In Thousands of New Taiwan Dollars)

| Code<br>(Note 1) | Company<br>that lent<br>funds | Borrowing<br>party                                  | General<br>ledger<br>account<br>(Note 2) | Related<br>party? | Maximum<br>balance of the<br>period<br>(Note 3) | Ending<br>balance<br>(Note 8) | Actual<br>amount<br>drawn<br>down | Range of<br>interest<br>rate | Nature of<br>loan<br>(Note 4) | Amount of<br>transaction<br>with<br>borrower<br>(Note 5) | Reason for<br>short-term<br>financing<br>(Note 6) | Amount of<br>recognized<br>allowance<br>for bad<br>debts | Collateral |         | Limit on loans<br>granted to a<br>single party<br>(Note 7) | Ceiling on<br>total loan<br>granted<br>(Note 7) |
|------------------|-------------------------------|---|--|-------------------|---|-------------------------------|-----------------------------------|------------------------------|-------------------------------|--|---|--|------------|---------|--|---|
|                  |                               |   |  |                   |   |                               |                                   |                              |                               |  |   |  | Item       | Value   |  |   |
| 0                | The<br>Company                | Acegreen<br>Eco-Material<br>Technology<br>Co., Ltd. | Other<br>receivables                     | Yes               | 350,000   | 200,000                       | —                                 | 2.48%                        | Short-term<br>financing       | —  | Business<br>operations                            | —  | None       | 577,428 | 577,428  |   |

Note 1: The explanation of the Code column is as follows:

(I) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Accounts receivable from affiliates and related parties, shareholders' transactions, prepayments, temporary payments and others must be filled in this field if they are considered loans in nature.

Note 3: Maximum balance of funds loaned to others in the current year.

Note 4: The nature of the loan should be listed as business transactions or those that have the needs for short-term financing.

Note 5: If the nature of the loans is business transactions, the amount of transactions should be filled in. The amount of transactions refers to the amount between the company which provides the loans and the borrower.

Note 6: If the nature of the loans is short-term financing, the reasons for borrowing and the purposes of the loans must be specified, such as repayment of loans, purchase of equipment, business operations and others.

Note 7: Procedures for Lending Funds to Others:

(I) A company with which the Company has business dealings:

1. Restriction on the total amount of loans: No more than 20% of the shareholders' equity in the Company's latest financial statement.

2. Limits for a single enterprise: Evaluated based on the amount of business transactions between the enterprise and the Company in the last 6 months, not exceeding 10% of the shareholder's equity in the Company's latest financial statement.

(II) There is a need for short-term financing:

1. Restriction on the total amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.

2. Limits for a single enterprise: Evaluated based on the working capital needs of the Company within 1 year, not exceeding 40% of the shareholder's equity in the Company's latest financial statement.

(III) Restriction on the cumulative amount of loans: No more than 40% of the shareholders' equity in the Company's latest financial statement.

(IV) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned (I) and (II) paragraphs. However, the total amount of loans shall not exceed the Company's shareholders' equity in the latest financial statements, and

the loan period and interest calculation shall comply with the provisions of Article 6 of the procedures.

Note 8: If a publicly traded company wishes to propose the entries of loans to the board for resolution in accordance with Paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amounts determined by the board shall be listed in the announced balance before the disbursement of loans to disclose the risks the Company undertakes. The remaining balances after repayments should also be disclosed to reflect the adjustment of risks.

According to Paragraph 2, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, once the board authorizes the chairman to issue the loans in multiple disbursements at a specific amount within a year or in a revolving credit line, the limit of the loan authorized by the board should still be put in the public announcement. This is in consideration of the fact that loans may be given out again after the repayments, so the amounts determined by the board shall be listed in the announced balance.

Table 2  
Provision of endorsements and guarantees to others  
2023

(In Thousands of New Taiwan Dollars)

| Code<br>(Note 1) | Endorser/<br>Guarantor | Party being endorsed/guaranteed            |  | Limit on endorsements/guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/guarantee amount for the period (Note 4) | Outstanding endorsement/guarantee amount for the period (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements/guarantees secured with collateral | Percentage of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company | Ceiling on total amount of endorsements/guarantees provided (Note 3) | Provision of endorsements/guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/guarantees by subsidiary to parent company (Note 7) | Provision of endorsements/guarantees to the party in China (Note 7) |
|------------------|------------------------|--|--|---|--|--|-----------------------------------|---|---|--|---|---|---|
|                  |                        | company name                               | Relationship with the Company (Note 2) |   |  |  |                                   |   |   |  |   |   |   |
| 0                | The Company            | Acegreen Eco-Material Technology Co., Ltd. | 2                                      | 1,732,284   | 1,350,000  | 1,250,000  | 855,320                           | 117,722   | 86.59%  | 1,732,284  | Y   |   |   |

Note 1: The explanation of the Code column is as follows:

(1) Issuer fills in 0.

(2) The subsidiaries are numbered in order starting from 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of categories each case belongs to:

(1) A company with which it has business dealings.

(2) The Company directly or indirectly holds more than 50% of the voting shares of the other company.

(3) The other company directly or indirectly holds more than 50% of the voting shares of the Company.

(4) The Company directly or indirectly holds more than 90% of the voting shares of the other company.

(5) Companies that are mutually protected due to mutual endorsement between industry partners or joint construction builders based on the needs of the project.

(6) A company endorsed or guaranteed by all contributing shareholders in the order of their shareholding proportion for a co-investment relationship.

(7) Industry partners who are engaged in the sales of pre-construction homes and conduct joint guarantee for the performance of contracts based on the Consumer Protection Act.

Note 3: (1) The guarantee amount of Acelon Chemicals & Fiber's endorsement of a single enterprise is capped at 80% of Acelon's shareholders' equity in the latest financial statements. The total guarantee amount of Acelon Chemicals & Fiber's endorsement is capped at 100% of Acelon's shareholders' equity in the latest financial statements.

(2) The guarantee amount of Acegreen Eco-Material Technology's endorsement of a single enterprise is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the amount of guarantee for endorsement is capped at 150% of Acegreen's net worth. The total guarantee amount of Acegreen Eco-Material Technology's endorsement is capped at the net worth of Acegreen's latest financial statements. However, for the parent which directly or indirectly holds 100% voting rights of Acegreen, the total amount of guarantee for endorsement is capped at 150% of Acegreen's net worth.

Note 4: Maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the board. However, if the board authorizes the chairman to make decisions in accordance with Paragraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount is considered the chairman's decision.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by the listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in China.



Table 3  
Names, locations and other information of investee companies (2023)  
(In Thousands of New Taiwan Dollars)

| Name of Investor | Investee<br>(Note 1 and 2)                 | Location                | Main business activities   | Initial investment amount    |                          | Shares held as of the end of period |           |                 | Net profit (loss) of the investee for the current period (Note 2 (2)) | Investment income(loss) recognized by the Company for the current period (Note 2 (3)) | Remarks |
|------------------|--|-------------------------|--|------------------------------|--------------------------|-------------------------------------|-----------|-----------------|---|---|---------|
|                  |  |                         |  | Balance at the end of period | End of the previous year | Number of Shares                    | Ownership | Carrying amount |   |   |         |
| The Company      | Acegreen Eco-Material Technology Co., Ltd. | Changhua County, Taiwan | Manufacturing and sales of non-woven fabrics and man-made fibers | 75,000                       | 750,000                  | 52,000,000                          | 100.0%    | 199,517         | (47,274)  | Subsidiaries (Note 3)   |         |
| The Company      | Acenature Biotechnology Co., Ltd.          | Changhua County, Taiwan | Non-woven fabrics and man-made fibers manufacturing and sales    | 27,500                       | 27,500                   | 3,000,000                           | 100.0%    | 30,897          | (353)   | Subsidiaries (Note 3)   |         |
| The Company      | ADVANCE WISDOM LTD.                        | Seychelles              | Offshore holding company   | 17,307 (USD542 thousand)     | 17,307 (USD542 thousand) | —                                   | 20%       | 13,135          | (574)   | Investments accounted for using equity method   |         |
| The Company      | ALPHA BRAVE INC.                           | Seychelles              | Offshore holding company   | 17,050 (USD534 thousand)     | 17,050 (USD534 thousand) | —                                   | 20%       | 12,974          | (569)   | Investments accounted for using equity method   |         |
| The Company      | TIME GLORY CORP.                           | Seychelles              | Offshore holding company   | 20,036 (USD625 thousand)     | 20,036 (USD625 thousand) | —                                   | 11.1%     | 15,866          | (636)   | Investments accounted for using equity method   |         |
| The Company      | CHAMPION LEGEND CORP.                      | Seychelles              | Offshore holding company   | 16,358 (USD510 thousand)     | 16,358 (USD510 thousand) | —                                   | 19.1%     | 12,994          | (491)   | Investments accounted for using equity method   |         |

Note 1: If the publicly listed company has an offshore holding company and uses the consolidated financial report as the main financial report in accordance with the local

laws and regulations, the disclosure of the overseas invested company may only disclose the relevant information of the holding company.

Note 2: Those that are not as described in Note 1 shall be filled in accordance with the following rules:

- (1) "Investee," "Location," "Main business activities," "Initial investment amount" and "End-of-year shareholdings" are to be filled on order of the Company (publicly listed) and its re-investment and all investees either directly or indirectly invested and the further re-investment. The relation (either subsidiaries or second-tier subsidiaries) between investees and the Company (publicly listed) are to be specified in the remarks field.
- (2) The field of "Net profit (loss) of the investee for the year ended" shall have the profit or loss of each investee filled in.
- (3) The field of "Investment income (loss) recognized by the Company for the year ended" only requires the Company (publicly listed) to recognize the directly-invested subsidiaries and the profit or loss incurred by adopting the equity method, and the rest can be omitted. When filling in "Recognition of profit or loss in directly-invested subsidiaries for the year", make sure that the profit or loss of subsidiary have included their own profit or loss incurred in their re-investment.

Table 4: Information on principal shareholders  
2023:

Unit: Thousand shares

| Name of Principal Shareholders | Shares | Number of shares      | Percentage of ownership (%) |
|--------------------------------|--------|-----------------------|-----------------------------|
| Honghou Investment             |        | 7,432 thousand shares | 6.68%                       |
| Shao-Hua Chou                  |        | 6,578 thousand shares | 5.91%                       |
| Ming-Yi Lai                    |        | 6,047 thousand shares | 5.43%                       |

Note: If the Company applies to the TDCC for the information in this table, it may explain the following matters in the notes attached to this table.

- (1) The information on principal shareholders presented in this schedule is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the Company's financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the Market Observation Post System.

VI. Facts regarding the Company and its affiliated enterprises that have suffered financial turnover difficulties in recent year up to the date of publication of the Annual Report: None.

## Seven. Review and Analysis of the Financial Position and Performance and Risk Management

### I. Comparison of financial position

Unit: NT\$ thousands

| Description \ Year                                     | 2022<br>(Consolidated) | 2023<br>(Consolidated) | Difference       |               |
|--|------------------------|------------------------|------------------|---------------|
|  |                        |                        | Amount           | %             |
| Current assets   | 1,516,926              | 1,447,149              | (69,777)         | (4.60)        |
| Fixed assets   | 1,786,914              | 1,803,323              | 16,409           | 0.92          |
| Non-current assets                                     | 183,451                | 190,105                | 6,654            | 3.63          |
| <b>Total assets</b>                                    | <b>3,487,291</b>       | <b>3,440,577</b>       | <b>(46,714)</b>  | <b>(1.34)</b> |
| Current liabilities                                    | 841,998                | 815,286                | (26,712)         | (3.17)        |
| Non-current liabilities                                | 1,049,400              | 1,181,721              | 132,321          | 12.61         |
| <b>Total Liabilities</b>                               | <b>1,891,398</b>       | <b>1,997,007</b>       | <b>105,609</b>   | <b>5.58</b>   |
| Capital  | 1,111,573              | 1,111,573              | 0                | -             |
| Capital surplus  | 431,153                | 431,153                | 0                | -             |
| Retained earnings                                      | 57,897                 | (92,977)               | (150,874)        | (260.59)      |
| Others   | (4,730)                | (6,179)                | (1,449)          | 30.63         |
| Non-controlling interests                              | -                      | -                      | -                | -             |
| <b>Total equity attributable to the parent company</b> | <b>1,595,893</b>       | <b>1,443,570</b>       | <b>(152,323)</b> | <b>(9.54)</b> |

Note: Explain the main reasons contributing to the significant changes (at least 20% between the periods and the amount of change exceeds NT\$10 million) in assets, liabilities and shareholders' equity in the past two years, the impact and the future responsive measures.

1. Retained earnings decreased by 260.59%, mainly due to the uncertain outlook for economic recovery, coupled with low consumer confidence, and the gradual but effective clearance of international brand inventories, albeit ongoing, are still overshadowed by the persistent economic weakness in European and American countries. Purchasing power has yet to return to pre-pandemic levels, with no significant upsurge in end-demand and low utilization rates leading to increased costs. Consequently, this has resulted in variances in after-tax net losses for the current period. In the future, our company will continue to strengthen the development of high-profit new products and new markets. Sales strategies will be directed towards increasing the proportion of high-margin products.
2. Other equities in exchange differences on translation of foreign financial statements decreased by 30.63 %, mainly due to the impact of the US dollar exchange rate in the current period.

## II. Review and analysis of financial performance

### (I) Comparison of Financial Position

Unit: NT\$ thousands

|  | 2022 (consolidated) |           | 2023(consolidated) |           | Different<br>in amount | Change in<br>% |
|--|---------------------|-----------|--------------------|-----------|------------------------|----------------|
|  | Subtot              | T o t a l | Subto              | Total     |                        |                |
| Total revenue                            | 2,814,949           |           | 2,483,194          |           |                        |                |
| Less: Sales returns                      |                     | 24,735    |                    | 24,735    |                        |                |
| Sales allowances                         |                     | 4,788     |                    | 4,788     |                        |                |
| Net revenue                              |                     | 2,785,426 |                    | 2,453,671 | (331,755)              | (11.91%)       |
| Operating costs                          |                     | 2,614,571 |                    | 2,372,858 | (241,713)              | (9.24%)        |
| Gross profit (loss)                      |                     | 170,855   |                    | 80,813    | (90,042)               | (52.70%)       |
| Operating expenses                       |                     | 289,993   |                    | 235,394   | (54,599)               | (18.83%)       |
| Sales and marketing expenses             | 160,408             |           | 115,578            |           |                        |                |
| Administrative and general expenses      | 81,003              |           | 72,343             |           |                        |                |
| Research and development expenses        | 48,756              |           | 47,508             |           |                        |                |
| Expected credit loss                     | (174)               |           | (35)               |           |                        |                |
| Operating income (loss)                  |                     | (119,138) |                    | (154,581) | (35,443)               | (29.75%)       |
| Non-operating income and expenses        |                     | 54,926    |                    | (8,279)   | (63,205)               | (115.07%)      |
| Interest income                          | 1,790               |           | 6,671              |           |                        |                |
| Other income                             | 20,987              |           | 19,766             |           |                        |                |
| Other benefits and losses                | 60,998              |           | 4,661              |           |                        |                |
| Finance costs                            | (27,012)            |           | (37,107)           |           |                        |                |
| Loss recognized using the equity         | (1,837)             |           | (2,270)            |           |                        |                |
| Net profit (loss) before tax from        |                     | (64,212)  |                    | (162,860) | (98,648)               | (153.63%)      |
| Income tax expense (benefit)             |                     | 2,532     |                    | (11,511)  | (14,043)               | (554.62%)      |
| Net profit (loss) for the current period |                     | (66,744)  |                    | (151,349) | (84,605)               | (126.76%)      |

#### Analysis of percentage increase / decrease:

1. Net operating income decreased by 11.91%, operating gross profit (gross loss) decreased by 52.7%, and operating profit (net loss) decreased by 29.75%, mainly due to factors such as high inflation around the world and destocking, leading to a significant decrease in sales.
2. Operating expenses decreased by 18.83%, mainly due to the decrease in sales volume and sales expenses.
3. Non-operating income and expenses decreased by 115.07%, mainly due to the other interests and losses in US dollars, and the fluctuating exchange rate affected the income subject to evaluation.
4. The pre-tax net profit (net loss) of the continuing operations decreased by 153.63%, and the net profit (loss) for the current period decreased by 126.76%, mainly due to the decrease in gross profit from sales and operating profit.
5. The income tax expenses (profit) decreased by 554.62%, mainly due to the increase in deferred tax assets resulting from the deduction of the losses recognized in the current period.

## (II) Analysis of changes in gross profit

Unit: NT\$ thousands

|                        | Changes before and after the increase and decrease  | Description of differences  |                    |                         |                        |
|------------------------|---|-----------------------------|--------------------|-------------------------|------------------------|
|                        |   | Difference in selling price | Difference in cost | Difference in sales mix | Difference in quantity |
| Operating gross profit | (90,042)  | (274,829)                   | (241,954)          | 54,115                  | (111,282)              |
| Description of reasons | <p>1. Difference in selling price: Mainly due to the decrease of selling price (favorable).</p> <p>2. Cost difference: Mainly due to the sharp drop in cost price (favorable).</p> <p>3. Difference in sales mix: Mainly due to the increase in sales volume and price of Lyocell in the current period compared with the previous period (favorable).</p> <p>4. Difference in sales volume: The sales volume in the current period has dropped sharply, leading to losses from production reduction, which are caused by factors such as worldwide inflation and destocking (unfavorable).</p> |                             |                    |                         |                        |

## III. Review and analysis of cash flow

Unit: NT\$ thousands

| Opening Balance  | Net cash flow from operating activities for the year | Cash used for the year               | Amount of cash surplus (shortfall)                           | Remedy for insufficient cash |                |
|--|--|--------------------------------------|--|------------------------------|----------------|
|  |  |                                      |  | Investment plan              | Financing plan |
| 225,398  | 93,241   | 131,113                              | 187,526  | —                            | —              |
| <p>1. Analysis of the changes in cash flow of the current year:</p> <p>(1) Operating activities: Net inflow amounted to NT\$ 93,241 thousand, mainly due to after-tax net profit(162,860) thousand, depreciation expense 185,733 thousand, inventory decrease 67,362 thousand, accounts payable increase 27,635 thousand and other net income( used in) 24,629 thousand.</p> <p>(2) Investing activities: Net outflow amounted to NT\$218,419 thousand, which was mainly used for capital expenditure.</p> <p>(3) Financing activities: Net inflow amounted to NT\$87,306 thousand, mainly due to the increase in long-term and short-term borrowings.</p> <p>2. Remedy and flow analysis for the cash shortfalls: None.</p> <p>3. Cash flow analysis for the coming year: None.</p> |  |                                      |  |                              |                |
| Opening Balance (1)  | Estimated cash flow from operating activities (2)    | Estimated Cash used for the year (3) | Estimated amount of cash surplus (shortfall) (1) + (2) - (3) | Remedy for insufficient cash |                |
| 187,526  | 309,786  | 110,170                              | 387,142  | Investment plan              | Financing plan |
|  |  |                                      |  | —                            | —              |

IV. Impact of major capital expenditures on financial operations: None.

V. Company's re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

Unit: NT\$ thousand

| Investee              | Investment amount   | Reinvestment policy  | Main reasons contributing to profit or loss   | Improvement plan   | Investment plan for the coming year             |
|-----------------------|---------------------|--|---|--|---|
| ADVANCE WISON LTD.    | 17,307<br>(USD 542) | In order to achieve vertical integration of production capability and improve competitive advantages of the Company's products, we indirectly invest in Vietnam through an offshore investment holdings company. | The offshore company indirectly invests in Vietnam, but it is not officially in operation. The main expenses are for local management and regulations, resulting in a loss in the settlement. | After the investment in Vietnam officially starts its mass production and operations, we will be able to turn losses into profits. | Determined by the market and economy condition. |
| ALPHA BRAVE INC.      | 17,050<br>(USD 534) |  |   |  |   |
| TIME GLORY CORP.      | 20,036<br>(USD 625) |  |   |  |   |
| CHAMPION LEGEND CORP. | 16,358<br>(USD 510) |  |   |  |   |

## VI. Risk management and assessment

(I) Impact of changes in interest rates and currency exchange and inflation on the Company's profit and loss in the most recent year and the response measures to be taken in the future:

1. Interest rate: We implement corporate governance and adopt sustainable practices, and have continued to receive support from various banks. The 2023 interest expense was NT\$37,107 thousand, an increase of NT\$10,095 over NT\$27,012 in 2022. The company will continue to closely monitor market interest rate trends and adjust various long and short-term financing instruments accordingly to reduce the overall cost of funds.
2. Exchange rate: Our main export products and raw materials imported are priced in US dollars, and the receivables and payables are in the same foreign currency, which has a natural hedging effect. The amount of 2023 net exchange gain was NT\$7,888 thousand. We will pay close attention to the exchange rate changes and adjust the spot positions in a timely manner. We will also use forward instruments for hedging operations to reduce the impact of exchange rate changes on the Company's profit and loss.
3. Inflation: We have signed long-term contracts with major suppliers to reduce the risk of inflation, and will continue to pay close attention to global raw material trends and market changes to adjust procurement strategies.



(II) The Company’s policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees and derivatives transactions and the main reason contributing to its profits and losses in the most recent year and the response measures to be taken in the future:

We have not engaged in high-risk, highly-leveraged investment projects in the most recent year. As of the publication date of the annual report, the endorsement guarantee is for the Company’s subsidiary to obtain bank financing, and it follows the provisions of the “Procedures for Endorsements and Guarantees”. Lending of funds to subsidiaries is to meet their short-term working capital needs, and it follows the provisions of the “Procedures for Lending Funds to Others”. We engage in derivatives transactions for the purpose of hedging. It is to avoid the risks on net assets or liabilities denominated in foreign currencies due to fluctuations in exchange rates. It follows Article 10 on the handling of derivatives described in the “Measures for Handling Acquisition or Disposal of Assets” for transactions and follow-up risk assessment management.

(III) Future R&D projects and the projected R&D expenses:

Unit: NT\$

thousand

| Products developed                   | Current progress | Re-investment | Expected completion date | Key success factor                                |
|--------------------------------------|------------------|---------------|--------------------------|---|
| A. Antistatic yarn with reduced cost | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| B. Development of matte cellulose    | In development   | 10,000        | 2024.12                  | Raw material spinnability and product development |
| C. Ionic liquid                      | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| D. Lyoell (E>10%)                    | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| E. Elastic nylon                     | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| F. Lyocell (water absorbency>300%)   | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| G.PET water repellent+dope dye       | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |
| H. High-quality recycled nylon yarn  | In development   | 12,000        | 2024.12                  | Raw material spinnability and product development |

(IV) Effect on the Company’s financial operations of important policies adopted and changes in the legal environment at home and abroad in the most recent year, and measures to be taken in response:

The Company has cooperated with the competent authority In the revision of policies and laws in corporate governance, the Company Act, the Securities and Exchange Act and others, and currently there is no significant impact on the finances.

(V) Effect on the Company’s financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

We spare no effort in the research and development of textile technology, and have developed various functional products based on the Company’s capital allocation to meet the needs of the market and customers. We pay close attention to the changes in related technologies in the industry, and monitor the market trends to maintain our leadership in technology and products.

(VI) Effect on the Company’s crisis management from changes in the Company’s corporate image, and measures to be taken in response:

We have always adhered to the principles of professionalism, ethics, and excellence, maintained good relationships with customers, suppliers, banks, shareholders and employees, and kept our corporate image intact. There are no other factors that have caused changes in corporate image to trigger a crisis situation.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:  
As of the publication date of the annual report, the Company has not made acquisitions or been acquired by other companies.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:  
We spread out the allocation of purchases and sales, and have not concentrated purchases or sales on specific parties. The acquisition of material resources also splits among different regions and companies at home and abroad to reduce the price and market risks of our products.
- (X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:  
As of the publication date of the annual report, there have not been any major transfers or changing hands of shares of directors or principal shareholders holding more than 10% of the shares.
- (XI) Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:  
As of the publication date of the annual report, there have not been any major transfers or changing hands of shares of directors or principal shareholders holding more than 10% of the shares, so the ownership of the Company has not changed.
- (XII) For major litigation, non-litigation or administrative incidents that involve the Company and/or any director, supervisor, the president, any person with actual responsibility for the firm, any principal shareholder holding a stake of greater than 10 percent and/or any other company or companies controlled by the Company and of which the results may have a significant impact on the Company's shareholders' interests or the securities price, the facts at issue, amount of the subject matter, the start date of litigation, the main parties involved and the current status as of the publication date of the annual report shall be disclosed:  
Please refer to p. 194 of the annual report for the pending litigations that had occurred.
- (XIII) Other important risks, and mitigation measures being or to be taken: None.

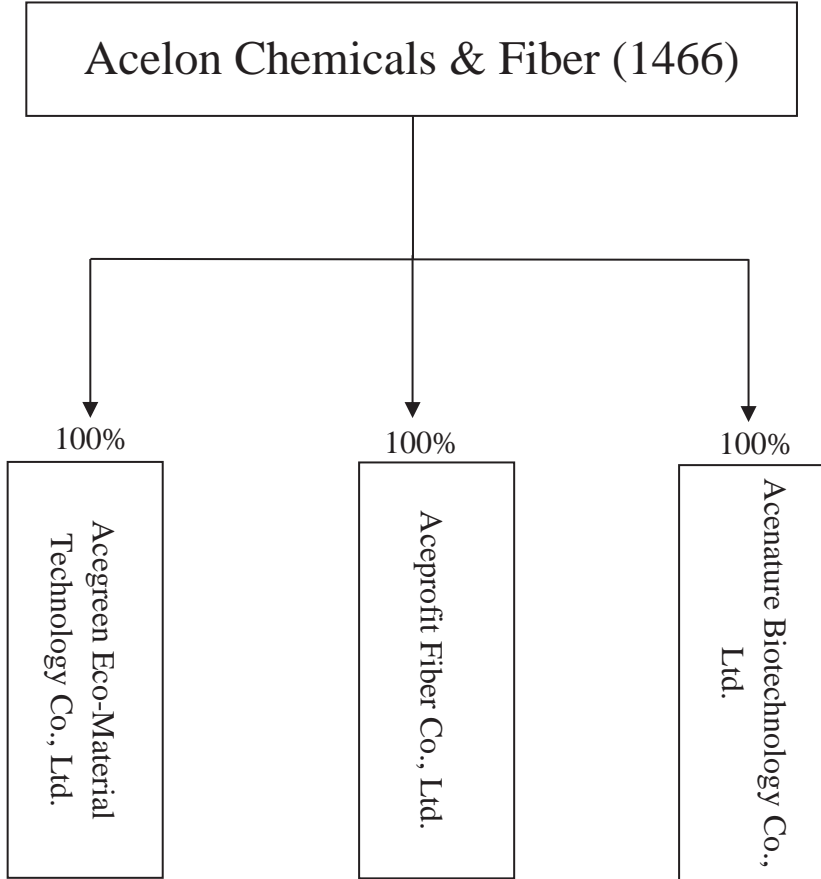
VII. Other important matters: None.

## Eight. Special Matters to be Included

### I. Information related to the company's affiliates

#### 1. Overview of affiliates

##### (1) Organizational chart of affiliates



##### (2) Basic information of each affiliate

Date of record: 2023.12.31; Unit: NT\$ thousand

| Company Name                               | Date of Establishment | Address  | Paid-in capital | Main business activities or products   |
|--|-----------------------|--|-----------------|--|
| Acenature Biotechnology Co., Ltd.          | 2013/12/20            | 1F, No. 105-4, Zhanglu Road, Changhua City, Changhua County                | \$30,000        | Manufacture of Non-woven Fabrics<br>Manufacturing and sales of man-made fibers |
| Acegreen Eco-Material Technology Co., Ltd. | 2011/07/15            | No. 50, Lane 20, Section 1, Nantong Road, Ershui Township, Changhua County | \$520,000       | Manufacture of non-woven fabrics, man-made fibers and medical equipment        |
| Aceprofit Fiber Co., Ltd.                  | 2024/02/29            | 1F, No. 105-4, Zhanglu Road, Changhua City, Changhua County                | \$20,000        | Sales of man-made fibers   |

## (3) Directors, Supervisors and President of Affiliated Companies

Date of record: 2024.03.31; Unit: shares, %

| Company Name                               | Title      | Name or Representative                   | Shareholding     |                             |
|--|------------|--|------------------|-----------------------------|
|  |            |  | Number of Shares | Percentage of ownership (%) |
| Acegreen Eco-Material Technology Co., Ltd. | Chairman   | Representative of Acelon, Wen-Tung Chou  | 52,000,000       | 100%                        |
|  | Director   | Representative of Acelon, Ming-Yi Lai    | 52,000,000       | 100%                        |
|  | Director   | Representative of Acelon, Shao-Hua Chou  | 52,000,000       | 100%                        |
|  | Supervisor | Representative of Acelon, Tse-Chung Lin  | 52,000,000       | 100%                        |
| Acenature Biotechnology Co., Ltd.          | Chairman   | Representative of Acelon, Wen-Tung Chou  | 3,000,000        | 100%                        |
|  | Director   | Representative of Acelon, Ming-Yi Lai    | 3,000,000        | 100%                        |
|  | Director   | Representative of Acelon, Mei-Hung Chang | 3,000,000        | 100%                        |
|  | Supervisor | Representative of Acelon, Wen-Chi Chou   | 3,000,000        | 100%                        |
| Aceprofit Fiber Co., Ltd.                  | Chairman   | Representative of Acelon, Wen-Tung Chou  | 2,000,000        | 100%                        |

(4) Information on the controlling and subordinate companies presumably sharing the same shareholders: None.

(5) Business sectors covered by other affiliates: General investment, manufacture of non-woven fabrics, manufacture of Man-made Fibers, cloth, clothing, cosmetics, food and grocery wholesale.

## 2. Overview of the business operations of each affiliate

Unit: NT\$ thousands

| Company Name                               | Paid-in capital | Total assets | Total liabilities | Net value | Operating revenue | Operating income | Profit and Loss of the Period (after taxes) | Earnings per share (NT\$) (after taxes) |
|--|-----------------|--------------|-------------------|-----------|-------------------|------------------|---|---|
| Acegreen Eco-Material Technology Co., Ltd. | 520,000         | 1,131,031    | 931,514           | 199,517   | 437,627           | (23,568)         | (47,274)                                    | (0.91)                                  |
| Acenature Biotechnology Co., Ltd.          | 30,000          | 43,365       | 12,468            | 30,897    | 76,428            | (658)            | (353)                                       | (0.12)                                  |

Note: Information for 2023.12.31.

3. Combined business report of affiliates: Not applicable. Please see p. 133 for the statement on the combined financial statements of affiliates.
4. Combined financial statements of affiliates: Not applicable. Please see p. 133 for the statement on the combined financial statements of affiliates.
5. Affiliation report: Not applicable. Please see p. 133 for the statement on the combined financial statements of affiliates.

II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report: None.

### IV. Other supplementary notes:

Key resolutions from the 2023 annual general meeting and their implementation

(1) 2022 loss compensation plan is as follows:

Implementation:

Due to the lack of profitability in 2022, the following distributions were made:

- Directors' remuneration: NT\$0
- Employee salaries: NT\$0
- Cash dividends to shareholders: NT\$0

(2) Shareholder suggestions: None.

V. If any of the situations listed in sub-paragraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: None.

Criteria for assessing the independence of accountants: (Refer to Article 47 of the Certified Public Accountant Act and the Bulletin #10 of the Code of Ethics for Professional Accountants)

| Description |   | Results   |
|-------------|---|---|
| 1.          | The CPAs appointed by the Company have not had conducted the audit services for the Company for seven consecutive years.                    | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 2.          | No material financial interest relationship with the client.  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 3.          | Avoid any inappropriate relationship with the Company.  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 4.          | The appointed accountants ensures that the assistants maintain honesty, impartiality and independence.                                      | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 5.          | Not auditing or verifying the financial statements of the organization within two years prior to the practice.                              | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 6.          | The name of the appointed accountants shall not be used for other purposes.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 7.          | Not holding shares of the Company or its affiliates.  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 8.          | Not have loaning or borrowing transactions with the Company or its affiliates.  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 9.          | Not having a joint investment or benefits sharing with the client.  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 10.         | Not holding a concurrent position in the Company or its affiliates to receive a fixed salary.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 11.         | Not involving in the management function setting policies in the Company or its affiliates.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 12.         | Not operating other businesses that may cause a loss of the independence.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 13.         | Not having a marital relationship and is not a relative within the second degree of kinship to any other executive officers of the Company. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 14.         | Not requesting any commission related to the tasks.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 15.         | Have not been punished or suffered from incidents that damage the principle of independence so far.   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

## Statement from the Accounting Firm



EnWise CPAs & Co.  
EnWise CPAs & Co.  
9F-1, No. 130, Taiyuan North Road, North District, Taichung City, 404  
TEL (04) 2296-6234; Fax (04) 2296-0607/2297-6918



## Letter from EnWise CPAs & Co.

No. 94, Fanjin Road, Puyan Township, Changhua County  
Recipient: Acelon Chemicals & Fiber Corporation

Date of Issue: January 3, 2023  
Publication Document Number: Jian-Fa (112) Zi #01001  
Priority: Standard  
Confidentiality Level: Regular  
Appendix:

Subject: Independence and Audit Work Statement

Description: We have complied with and will continue to comply with the Bulletin #10 of the Code of Ethics for Professional Accountants on “Integrity, Fairness, Objectivity and Independence” in our audit of the 2023 (January 1, 2023 to December 31, 2023) financial statements of Acelon Chemicals & Fiber Corporation.

Original:  
Duplicate copy:

CPA Ching-Yi Chen



CPA Yong-Ren Tsao CPA Nian-jie Liao



Statement from the Accounting Firm



EnWise CPAs & Co.  
EnWise CPAs & Co.  
9F-1, No. 130, Taiyuan North Road, North District, Taichung City, 404  
TEL (04) 2296-6234; Fax (04) 2296-0607/2297-6918



Letter from EnWise CPAs & Co.

No. 94, Fanjin Road, Puyan Township, Changhua County  
Recipient: Acelon Chemicals & Fiber Corporation

Date of Issue: January 26, 2024  
Publication Document Number: Jian-Fa (113) Zi #01002  
Priority: Standard  
Confidentiality Level: Regular  
Appendix:

Subject: Independence and Audit Work Statement

Description: We have complied with and will continue to comply with the Bulletin #10 of the Code of Ethics for Professional Accountants on “Integrity, Fairness, Objectivity and Independence” in our audit of the 2024 (January 1, 2024 to December 31, 2024) financial statements of Acelon Chemicals & Fiber Corporation.

Original:  
Duplicate copy:

CPA Ching-Yi Chen



CPA Nian-jie Liao





Acelon Chemicals & Fiber Corp.  
No.94, Fan Chin Rd.,  
Puyan Township, 516015 Changhua  
County  
Taiwan



TESTEX AG, Swiss Textile Testing Institute  
Gottthardstrasse 61  
8002 Zurich  
Switzerland

# Certificate

## OEKO-TEX® STANDARD 100

**Acelon Chemicals & Fiber Corp.**

is granted the OEKO-TEX® STANDARD 100 certification  
and the right to use the trademark.

### SCOPE

100% Nylon 6 filament and textured yarns, raw white,  
dope-dyed in optical white, black;  
100% Polyester textured yarns, raw white, dope-dyed in  
black and khaki;  
100% Polypropylene textured yarns, dope-dyed in black,  
brown and green  
(based on material partly pre-certified according to  
OEKO-TEX® STANDARD 100)

### PRODUCT CLASS

I (baby articles) - Annex 6



This certificate HKYO 039120 is valid until  
15.07.2024.

### SUPPORTING DOCUMENTS

- ✓ Test report : TP005 224111.2
- ✓ Declaration of conformity in accordance with  
EN ISO 17050-1 as required by OEKO-TEX®
- ✓ OEKO-TEX® Terms of Use (ToU)

Matz Bachmann  
Managing Director

Dijana Ajdinovic  
Ecology Team Leader

Further compliance information (REACH, SVHC, POP, GB18401  
etc.) can be found on [oeko-tex.com/en/faq](http://oeko-tex.com/en/faq).

The certificate is based on the test methods and requirements of  
the OEKO-TEX® STANDARD 100 that were in force at the time of  
evaluation.

Zurich, 2023-09-18

OEKO-TEX Service GmbH Genferstrasse 23, CH-8002 Zurich



# Acelon Chemicals & Fiber Co., Ltd.

## Statement on Internal Control:

Date: March 15, 2024

Based on the results of the self-assessment, we hereby make the following statement with regard to the internal control system of the Company for 2023:

- I. The Company's board and managerial officers are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether or not the existing policies continue to be effective. The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Regulations for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the findings of such evaluation, we believe that on December 31, 2023, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment or other illegality in the content

made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.

VII. This Statement has been approved by the board in the meeting held on March 15, 2024, with none of the 11 directors in presence expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Acelon Chemicals & Fiber Co., Ltd.  
Chairman and President: Wen-Tung Chou    Signature



Acelon Chemicals & Fiber Co., Ltd.



Chairman: Wen-Tung Chou

