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<http://www.yschem.com.tw>



Yong Shun Chemical Co., Ltd.

# 2023

## Annual Report

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IV. Name of the CPA certifying the financial statements in the most recent fiscal year and the name, address, website and telephone number of the accounting firm:

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Accounting firm name: Deloitte Taiwan

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City

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

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V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None

VI. Company Website: <http://www.yschem.com.tw>

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# One. Report to the Shareholders

Dear Shareholders,

We wish you all safety and health, and thank you for your long-term support and encouragement.

In 2023, the global economy was still weak and sluggish, and the economic recovery was slow. Besides, due to the impact posed by the Russia-Ukraine war and Israel-Hamas war, and global inflation, the interest rate of USD was rising strongly, and the demand became sluggish. The business environment faced severe challenge at home and abroad. The operating revenue and net profit after tax in 2023 were NT\$ 768,731 thousand and NT\$ 18,378 thousand, respectively.

The main reason for the decrease in 2023 operating revenue resided in that the aftermath of the impact posed by the epidemic still existed. Besides, with the constant geopolitical conflicts and disruptions, rising commodity price and global inflation resulted in the lack of consumption momentum, particularly the people's livelihood industry. End product manufacturers continued the de-stocking. The decline in exports widened and private investment growth turned to be negative. The price of raw materials declined significantly and the sale volume fell off a cliff. The Company's products accounted for a high proportion of the people's livelihood products related to the textile and sports shoes industries. Therefore, the impact resulting in the decrease in the Company's operating revenue was continuing. The profit was sought primarily due to the procurement department's expansion of the safety stock when the cost of raw materials was relatively low, thereby resulting in good gross profit margin of sales.

In 2024, the uncertainty in the global economy stays high. For example, the United States will face the challenge from high interest rate of debts in the prosperity, and the lack of strong and effective policies in the Chinese real estate market might continue getting worsen. Notwithstanding, the good news is that the product inventory clearance of end product manufacturers of information communication and electronic products is coming to an end at the end of Q3, and the market is expected to recover optimistically month by month in Q4. The Company will enter its 60th year since it was founded. In order to deal with such difficult environment, the Company brainstorms the right policies and methods, and quickly adjusts the pace of development in response to the impact posed by the changes in the overall market.

The Company's operational decisions will develop toward the following three directions:

(I) Adjust product structure and focus on the strategy to increase value-added products

The product structure will focus on new applications, new functions, green energy, low carbon and environmental protection, new start-up industries, and high added value. The Company will avoid the price competition and seek opportunities in the Blue Ocean market. As the raw material market price has fluctuated greatly and rapidly in the last two years, the Company will mitigate the price pressure caused by the fluctuation of raw materials and finished goods.

(II) Continue to expand the market in Asian countries

The production bases for the people's livelihood industry-related products have been gradually relocated from China to ASEAN countries. In recent years, ASEAN countries have been receiving investment from leading global technology companies in construction and expansion of factories. The supply chain has taken shape gradually at the production bases for the people's livelihood industry. The Company will adjust its sales market in a timely manner to participate in regional economic growth, and plan to win customers in emerging markets, such as Japan, South Korea, India, Southeast Asia, Vietnam, and Indonesia, and proactively develop customers to ensure its competitiveness. The Company will also seek other potential market opportunities for more comprehensive business growth, enhance growth momentum, and achieve operational goals.

(III) Sustainability

The Company is developing towards an energy renewable and circular production structure. Meanwhile, it has built a solar power generation system. It aims to carry out the vertical integration of production lines, shorten delivery time and reduce production cost structure, and optimize and adjust each production line to improve production efficiency and enhance the overall operating performance. Taking care of employees is the most important issue for enterprises. Clear indicators have been set up with respect to the selection, employment, retention, and cultivation of talents. Meanwhile, strict standards are also in place with respect to employees' health and safety. Through the efforts spent in achieving these goals, the Company may retain needed and reliable talents to help the Company move towards the sustainable operations.

Looking forward to 2024, AI applications will become more and more down-to-earth. In October 2023, some

international leading manufacturers announced the launch of AI PCs, notebooks and server products, which will enable personal devices to perform AI computing, thereby producing a far-reaching impact on the future industrial production and manufacturing. Technology is changing with each passing day. The Company keeps seeking innovations and changes. New technologies, new products and new competitors are emerging from time to time. Given the global economy full of severe tests and challenges, the Company's management team will still adhere to the same philosophy upheld by it in the past six decades, namely perpetual purity, quality first, customer first and sustainable operation, in order to lead all colleagues to work together to achieve the goal and embrace the future with a positive and firm attitude. We would like to thank all shareholders, customers, suppliers, and partners for their full support and companionship in our growth. We expect to work with our shareholders towards a prosperous and sustainable future. I would like to express my deepest gratitude.

I wish every shareholder  
Good health and all the best

Chairman: Tsai, Cheng-Fung

## I. 2023 Business Report

In view of many events this year, given sluggish global economy and inventory adjustment in the industry, we see a shortage of investment and weak exports in Taiwan's economy. Considering tepid consumer demand at home and abroad, the customers become less willing to place orders. According to statistics, foreign exports have exhibited decline for 18 consecutive months since August 2010, while the economy continued to flash a "blue-light" signal. The Company's sales were significantly affected, which resulted in sales decline in 2024 compared to the same period in the previous year.

### (I) Business Plan Implementation Result

The consolidated revenue in 2023 was NT\$768,731 thousand, a decrease of 32.22% from NT\$1,134,234 thousand in 2022; the net profit after tax in 2023 was NT\$18,378 thousand, an increase of 195.76% from the net loss after tax of NT\$19,191 thousand in 2022; the earnings per share were NT\$0.30, up 196.77% from the losses per share of NT\$0.31 in 2022.

### (II) Budget Implementation Status

The Company did not disclose financial forecasts in 2023.

### (III) Financial Income, Expenditure, and Profitability Analysis

#### 1. Revenue and Expenditure

Unit: NT\$ thousand

Item\Year	2023	2022
Net Income (loss) Before Tax	23,762	(23,355)
Net Cash Inflow (outflow) From Operating Activities	71,636	117,631
Net Cash Inflows (outflows) From Investment Activities	(35,632)	(11,676)
Net Cash Inflow (outflow) From Financial Activities	(9,440)	(121,588)
Net Increase (decrease) in Cash and Cash Equivalents	26,564	(15,633)
Cash and Cash Equivalents at the Beginning of the Year	338,067	353,700
Cash and Cash Equivalents at the End of the Year	364,631	338,067

#### 2. Profitability Analysis

Item/Year	2023	2022	
Liability to Asset Ratio	17.12%	16.27 %	
Ratio of Long-term Funds to Property, Plants, and Equipment	305.60%	330.51 %	
Current Ratio	589.27%	698.81 %	
Quick Ratio	423.30%	464.84 %	
Return on Assets	1.54%	-1.37 %	
Return on Equity	1.74%	-1.74 %	
As a Percentage of Paid-in Capital Percentage %	Operating Income	3.21%	-4.44 %
	Pre-tax Profit	3.89%	-3.83 %
Net Profit Rate	2.39%	-1.69 %	
Earnings per Share (Loss)	\$0.30	(\$0.31)	

### (IV) R&D Overview

1. Development of unsaturated resin with high reactivity, heat resistance and impact strength.
2. Development of high-performance environmentally-friendly water-based weather-resistant alkyd resin.
3. Development of applications of various grades of FRP finished products
4. Development of various grades of hot melt rubber and shoe rubber products related to environmental protection
5. Continued R&D of green energy and biodegradable products.



## II. Summary of the 2024 Business Plan

The Company mainly produces various alkyd resin products and downstream derivatives, and actively invests in the development of other synthetic resin products. Based on the 2024 Business Plan, the Company's product mix will focus on product applications, accelerating the commercialization of new products and new businesses to obtain higher market value. Due to U.S.-China trade war, the China factories have tapped into emerging markets including Northeast Asia, Southeast Asia and India, with active development for better competitive advantages. The Company continues to cultivate non-China markets, seeking other potential market opportunities to achieve more comprehensive business growth, with more diversified product mix. The management will focus on improving brand value and growth momentum to achieve business goals.

### (I) Business Policy

1. Establish an effective procurement system and raw material inventory system to obtain timely information, so as to achieve flexible sales to cope with market changes.
2. The product structure will be focused on the production of biomass, new start-up industries, and high added value. The Company will avoid the price competition and seek opportunities in the Blue Ocean market.
3. The R&D of new products will focus on green energy, solvent-free, and other potential industries, and local R&D energy will be used to quickly respond to customer needs and accelerate the speed of products to market.
4. Market Structure: Explore markets in Northeast Asia, Southeast Asia, and India with high population density and domestic demand, in order to reduce dependence on the China market for more comprehensive business growth.

### (II) Expected Sales Volume and Basis

The expected sales volume of the Company's main products in 2024 is as follows:

Main Products	Unit	Estimated Sales Volume in 2024
Unsaturated Polyester Resin	Metric Ton	2,820
Polyester Polyol Resin	Metric Ton	6,540
Acid Resistant Coating	Metric Ton	840
Chemical Tank	Unit	15
Hot Melt Adhesive and Shoe Adhesive Related Products	Metric Ton	1,065

### (III) Important Production and Marketing Policies

1. Improve sales channel strategy and deployment in the distribution channels.
2. Strengthen customer base and customer relationships, and expand market share.
3. Effective use of marketing intelligence to strengthen the sales forecasting skills and reduce risks.
4. Continuously develop new products and key raw materials to protect its competitive advantage.
5. Estimate automation solutions for labor-intensive manufacturing processes.
6. Efficient production management to ensure effective delivery and credibility.
7. Seek potential market opportunities and develop a more diversified product mix.
8. Prevent the increase in defective rate during the production process, and implement QC activities to ensure pure quality of products and meet customer needs.
9. Establish solar photovoltaics for green energy production, so as to achieve energy conservation and carbon reduction.

### III. The Impact of the External Competitive Environment, the Regulatory Environment, and the Overall Business Environment on the Development Strategy of the Company in the Future

Next year, entering the 60th anniversary of the Company's establishment, it has always upheld the concept of integrity, focusing on its business operations. In face of high global competition and rapid change in market trends, Yong Shun Chemical adheres to a clear business philosophy, with internal resource integration and business strategies. The Company actively expands domestic and foreign markets, with deployments in key materials, developing new product R&D, and strengthening product functions to expand its applications. We focus on increasing added value and avoid unnecessary price cuts and price competitions. Continue to optimize the production process, invest in capital expenditures to improve factory equipment, and install rooftop solar power system to generate its own green electricity. Continue to implement climate change and energy management measures, and introduce green, environmental protection, energy conservation and carbon reduction in daily operations. Promote the production of green electricity products in the factory, protect the earth as a corporate citizen by fulfilling corporate social responsibility, and achieve corporate sustainability.

The height, breadth and depth of Yong Shun Chemical's products meet market demands, providing customers with innovative products of high efficiency, in the aim to achieve excellent performance in the global synthetic resin market.

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

## Two. Company Profile

I. Date of Establishment: July 31, 1965

### II. Organization and Operations:

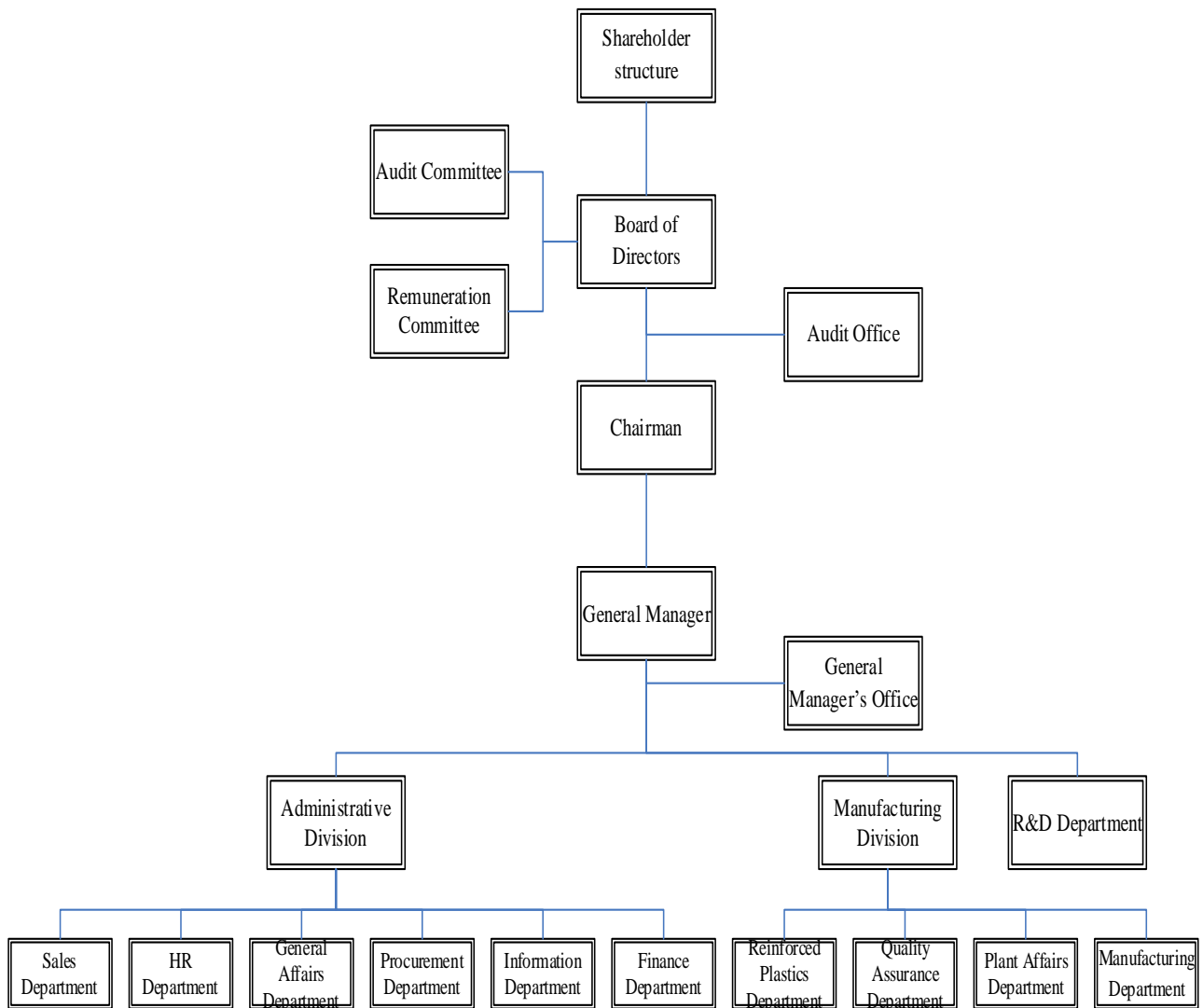
- 1965: Taiwan's petrochemical raw materials relied heavily on imports, costing an enormous amount in foreign exchange. In light of this, the late Chairman, Mr. Lin, Jui-Tien, raised NT\$360,000 from a number of strong-willed investors, families and friends and established Yong Shun Chemical Co., Ltd. at No.1-4, Xiwei Street, Sanchong City, Taipei County for the manufacturing of resins.
- 1973: In the beginning, the Company's primary business was resin for Formica and polyester resin for FRP. As the original plant was not big enough, the Company relocated to its current site at No. 681, Haishan Rd., Kengkou Vil., Luzhu Dist., Taoyuan City in 1973.
- 1974: In July 1974, the Company's capital was increased to NT\$7 million to increase machinery and equipment.
- 1977: In June 1977, Zion Enterprise Co., Ltd. was merged, increasing the Company's capital to NT\$10 million. In November, the Company increased its capital by NT\$25 million in cash, with capital totaling NT\$35 million.
- 1978: In April 1978, Yonggu Reinforced Plastic Co., Ltd. was merged, increasing the Company's capital to NT50 million. In June, the Company increased its capital by NT\$50 million in cash, with capital totaling NT\$100 million. Mr. Chin, Chia-Liu, the new chairman, was elected and the former Chairman Lin became vice chairman. Products such as FRP chemical tanks and FRP pipes were added.
- 1979: In November 1979, the Company increased its capital by NT\$50 million in cash, with capital totaling NT\$150 million. Production and sales of polyester polyol resin were added.
- 1980: In December 1980, the Company increased its capital by NT\$10.5 million in cash and transferred its surplus of NT\$19.5 million, increasing its capital to NT\$180 million.
- 1994: In April 1994, the Company increased its capital to NT\$198 million with a revaluation of land. 25 tons of automated production equipment was added to improve various production processes.
- 1995: In June 2005, the Company applied to the Securities and Future Commission for a public offering and transferred its surplus of NT\$51,480,000 to capital, increasing its capital to NT\$249,480,000. 40 tons of automated equipment for producing unsaturated polyester resin was added.
- 1996: In 1996, NT\$62,370,000 was transferred to capital from surplus, increasing the Company's capital to NT\$311,850,000.
- 1997: In 1997, NT\$31,185,000 was transferred to capital from surplus, totaling the Company's paid-in capital to NT\$343,035,000. In August, the Company passed ISO 9002 quality assurance certification of DNV.
- 1998: In 1998, NT\$56,125,780 was transferred to capital from surplus and NT\$839,220 was transferred to capital from employee bonus, with paid-in capital totaling NT\$400 million.
- 1999: In 1999, NT\$80 million was transferred to capital from surplus, with paid-in capital totaling NT\$480 million. 40 tons of automated equipment for producing unsaturated polyester resin and equipment for producing thermoplastic polyurethane resin were added. On February 24, 1999, the Company became an OTC-listed company.
- 2000: In 2000, NT\$96 million was transferred to capital from surplus, with paid-in capital totaling NT\$576 million. 25 tons of automated equipment for producing polyester polyol resin and equipment for producing thermoplastic polyurethane resin were added.

- 2001: In 2021, NT\$34,560,000 was transferred to capital from surplus, with paid-in capital totaling NT\$610,560,000.
- 2003: In August 2003, the Company passed ISO 9001:2000 quality assurance certification of DNV.
- 2009: In August 2009, the Company passed ISO 9001:2008 quality assurance certification of DNV.
- 2010: In January 2010, the Company established the subsidiary Sun Yang Global Co., Ltd., Ltd. for the manufacturing and sale of shoe and hot melt adhesive, with paid-in capital of NT\$100 million. In August, shares issued by Yong Shun were fully converted into paperless shares.
- 2015: In November 2015, the subsidiary, Sun Yang, decreased its capital by NT\$20 million to make up for losses. The paid-in capital became NT\$80 million.
- 2019: In May 2019, the subsidiary Sun Yang decreased its capital by NT\$40 million to make up for losses. In the same period, the subsidiary Sun Yang increased its capital by NT\$40 million in cash to improve its financial structure, with paid-in capital totaling NT\$80 million.
- 2020: In May 2020, the subsidiary Sun Yang decreased its capital by NT\$30 million to make up for losses, with paid-in capital totaling NT\$50 million.
- 2023: In October 2023, the installation of rooftop solar power generation equipment at Yonggu Factory was completed to connect the power grid of Taipower, in order to implement the energy-saving, carbon-reducing and green energy policy.

# Three. Corporate Governance Report

## I. Organizational system

(I) Company Organizational System Chart:



(II) Tasks of Principal Divisions

Department Name	Tasks
Audit Office	Investigation and assessment on internal control operations.
General Manager's Office	Responsible for coordinating various affairs assigned by the general manager.
Administrative Division	The Company's administrative management department coordinating the management of finance, information, procurement, general affairs, personnel, business and shareholder service..
Finance Department	Coordinate the Company's financial scheduling, accounting records and budget creation.
Information Department	Plan, design and maintain the Company's computer software and hardware.
Procurement Department	Coordinate the procurement and inspection & acceptance of the Company's raw materials, supplies and equipment.
General Affairs Department	Manage the Company's general affairs.
HR Department	Handle the matters, such as the Company's HR planning, personnel management and shareholder services.
Sales Department	The Company's business department responsible for sales, payment collection and after-sales service.
Manufacturing Division	The "Manufacturing Division", "Plant Affairs Department", "Quality Assurance Department", and "Reinforced Plastics Department" have been set up under the Manufacturing Division.
R&D Department	Responsible for developing new products and technologies, and improving the quality of products.

## II. Information on directors, the general manager, assistant general managers, deputy assistant general managers, and heads of divisions and branch units

### (I) Directors:

#### 1. Information of Directors

April 15, 2024

Title	Nationality or Place of Registration	Name	Gender and Age	Date of Election (Appointment)	Term of Office	Date of First Election	Shareholding at Time of Election		Current Shareholding		Current Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in the Company and Other Companies	Other Officers, Directors or Supervisors with Spousal Relationships or within Second Degree of Kinship			Remarks
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Taiwan	Tsai, Cheng-Fung	Male (75 years and more)	2022.06.09	3	1998.05.27	3,492,490	5.72%	3,492,490	5.72%	2,340,235	3.83%	None	None	College of Business and Management, Tamkang University	Chairman of the Company/Director of Sun Yang	Director	Tsai, Chi-Lung	Relative within second degree of kinship	
Director	Taiwan	Tsai, Chi-Lung	Male (75 years and more)	2022.06.09	3	2022.06.09	1,432,527	2.35%	1,432,527	2.35%	None	None	None	None	Taipei Kainan High School Director of Ji-Liang Construction Co., Ltd.	Supervisor of Sun Yang	Chairman	Tsai, Cheng-Fung	Relative within second degree of kinship	
Director	Taiwan	Lin, Cheng-Chien	Male (66 ~75 years old)	2022.06.09	3	2022.06.09	4,205,821	6.88%	4,205,821	6.88%	1,800,621	2.95%	None	None	Doctoral degree awarded in Edinburgh	General Manager of the Company	Director	Lin, Tsyr-Huan	Relative within second degree of kinship	
Director	Taiwan	Lin, Tsyr-Huan	Female (66 ~75 years old)	2022.06.09	3	1998.05.27	6,057,327	9.92%	6,305,327	10.33%	None	None	None	None	Department of Wood Utilization, University of Washington	Assistant General Manager of the Company/Chairman of NaturalTEL Communication Co., Ltd./Chairwoman of Sun Yang	Director	Lin, Cheng-Chien	Relative within second degree of kinship	
Director	Taiwan	Lin, Jih-Cheng	Male (66 ~75 years old)	2022.06.09	3	2022.06.09	27,810	0.05%	27,810	0.05%	None	None	None	None	Department of Diplomacy, National Chengchi University	Person in charge, Cheng Ming Land Administration Agency	None	None	None	
Director	Taiwan	Lin Wu, Fang-Mei	Female (66 ~75 years old)	2022.06.09	3	2004.06.10	91,080	0.15%	91,080	0.15%	None	None	None	None	Datong Commercial High School	Director of Sun Yang Global Co. Ltd.	None	None	None	
Independent Director	Taiwan	Cheng, Chit-Man	Male (66 ~75 years old)	2022.06.09	3	2016.6.13	0	0%	0	0%	None	None	None	None	J.D., University of Wisconsin-Madison Campus	CEO, Think Tank, U.S.A.	None	None	None	
Independent Director	Taiwan	Chin, Chang-Ming	Male (56 ~65 years old)	2022.06.09	3	2016.6.13	0	0%	0	0%	None	None	None	None	EMBA, National Taiwan University	Host Accountant, KENWILLCPA UNITED CPAS FIRM	None	None	None	
Independent Director	Taiwan	Chou, Man-Chin	Male (66 ~75 years old)	2022.06.09	3	2019.6.12	0	0%	0	0%	None	None	None	None	Wei Cheng CPAs Firm, National Chung Hsing University	Associate, KENWILLCPA UNITED CPAS FIRM	None	None	None	

2. Directors acting as representatives of corporate shareholders: None.

3. Professional qualifications and independence of directors

Name (Note 1)	Professional qualifications and experience			State of independence (Note 3)												Number of other public companies in which the individual concurrently serves as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman: Tsai, Cheng-Fung			v	v					v	v	v	v		v	v	None
Director: Tsai, Chi-Lung			v	v				v	v	v	v	v		v	v	None
Director: Lin, Cheng-Chien			v						v	v	v	v		v	v	None
Director: Lin, Tsyr-Huan			v						v	v	v	v		v	v	None
Director: Lin, Jih-Cheng		v	v	v		v	v	v	v	v	v	v	v	v	v	None
Director: Lin Wu, Fang-Mei			v	v		v	v	v	v	v	v	v	v	v	v	None
Independent Director: Cheng, Chit-Man	v	v	v	v	v	v	v	v	v	v	v	v	v	v	v	None
Independent Director: Chin, Chang-Ming		v	v	v	v	v	v	v	v	v	v	v	v	v	v	1
Independent Director: Chou, Man-Chin		v	v	v	v	v	v	v	v	v	v	v	v	v	v	None

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of individual directors. If the person is a member of the Audit Committee with accounting or financial expertise, their accounting or financial background and work experience shall be specified, while also stating whether they meet the circumstances provided in Article 30 of the Company Act.

Note 2: For independent directors, their state of independence must be specified, including but not limited to whether they, their spouses, or second-degree relatives serve as a director, supervisor or employee in the company or affiliates; the proportion of shares held by the independent director themselves, their spouses or relatives within second degree of kinship (or in the name of others); whether the independent director serves as a director, supervisor or an employee of a company with which the company has a specific relationship (refer to Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and amount of remuneration received for commercial, legal, financial and accounting services provided to the company or its affiliates in the past two years.

Note 3: Please mark the box with “V” if the director met the following conditions during active duty and two years prior to the date elected.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under (1) or any of the persons under (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).



- (6) Not a director, supervisor, or employee of another company if a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor or employee of another company or institution in which the chairperson, general manager or personnel with equivalent position are the same person or have a spousal relationship (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution in a business or financial relationship with the company (the same does not apply, however, in cases the specific company or institution holds more than 20% but less than 50% of the company's total issued shares, and the person is an independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional, owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or any affiliated company of the Company, or that provided commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider received cumulative compensation exceeding NT\$500,000 in the most recent two fiscal years, or a spouse thereof. However, this restriction does not apply to a member of the Compensation Committee, Public Tender Offer Review Committee, or Special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship of another director.
- (11) Does not meet any of the conditions stated in Article 30 of the Company Act.
- (12) Not elected as a government, legal person or its representative in accordance with Article 27 of the Company Act

#### 4. Diversity and Independence of the Board of Directors

##### (1) Diversity of the Board of Directors

According to the Company's rules, the composition of the Board of Directors shall emphasize gender equality and shall generally possess the necessary knowledge, skills, and competencies to perform their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors as a whole shall have the following capabilities:

1. The capability to make judgments about operations.
2. Business management capability.
3. Leadership and decision-making capability.
4. Knowledge of the industry.
5. An international market perspective.
6. Financial capability.
7. Crisis management capability.

The Company held a shareholders' meeting on June 9, 2022 to re-elect the members of the 20th session of the Board. The strong lineup of directors not only supervises the management team on behalf of shareholders, but also assists the Company in the evaluation and judgment of major decisions. All directors of the Company are elected by the shareholders' meeting after resolution reached by the Board of Directors. The Company emphasizes the diversity of the composition of the Board of Directors, including different ages, genders, industry experience, professional knowledge and capabilities. Members of the Board of Directors have extensive experience and expertise in the fields of finance, law, accounting, information technology, commerce, and management. In terms of independent directors, the Company's 20th term of independent directors has professional knowledge and rich practical experience in finance, law, and accounting, and can greatly improve the Company's implementation of risk management, internal control and internal audit. Independent directors are independent and forward-looking, and give full play to their supporting and supervisory functions to continue to promote the long-term development of the Company's strategic operations.

The Company currently has an Audit Committee and a Remuneration Committee convened by independent directors. Independent directors of the Company are deeply involved in the operation of the Company through various functional committees to exert corporate governance and protect the interests of the public. The 20th Board of Directors consists of 9 directors (including 3 independent directors) who possess the abilities of leadership and decision-making, business management, and international market outlook, as well as rich industry experience and professionalism. Directors with rich industry experience are Chairman Tsai, Cheng-Fung; Director Tsai, Chi-Lung; Director Lin, Tsy-r-Huan, and Director Lin Wu, Fang-Mei. Director Lin, Cheng-Chien served Academia Sinica for many years and made many contributions to cloud and AI information technology. Director Lin, Jih-Cheng is a professional land administration agent with extensive experience in land development, construction and investment in the building

field. Independent Directors Cheng, Chit-Man is a practicing lawyer with professional legal ability and rich practical experience. Independent directors Chin, Chang-Ming and Chou, Man-Chin have practical experience as accountants and have rich practical experience in finance and banking, administration and management.

Specific management goals of the Company's Board composition diversity policy:

1. There shall be no less than one director of each gender.
2. The Board members shall include at least 3 independent directors.
3. No more than 3 managers may serve as the director concurrently.
4. The Board members shall consist of 1 member with the business management expertise, 2 member with financial accounting expertise, and the other members with specific expertise.

All members of the 20th Board of Directors of the Company are natives. The average age of directors is 66-75 years old. There is 1 director aged 56-65, 6 directors aged 66-75, and 2 directors are over the age of 75. The composition of the Board also emphasizes gender equality. Among the 6 non-independent directors, 2 are women (accounting for 33.33%), which is in line with the principle of gender diversity of the Board. Overall, the current Board of Directors includes 2 women, accounting for 22.22% of the board members. The Company will continue to strive for gender equality in the composition of the Board of Directors in the future.

The implementation of the diversity policy for all members of the Board:

Diversity item	Basic conditions and values				Professional knowledge and skills										
	Gender	Age			Nationality	Concurrently an employee of the Company	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead	Ability to make decisions	Knowledge and ability of risk management
		56 to 65	66 to 75	Over 75											
Director name															
Director: Tsai, Cheng-Fung	Male			v	Taiwan		v	v	v	v	v	v	v	v	
Director: Tsai, Chi-Lung	Male			v	Taiwan		v	v	v	v	v	v	v	v	
Director: Lin, Cheng-Chien	Male		v		Taiwan	v	v	v	v	v	v	v	v	v	
Director: Lin, Tsyr-Huan	Female		v		Taiwan	v	v	v	v	v	v	v	v	v	
Director: Lin, Jih-Cheng	Male		v		Taiwan		v		v	v		v	v	v	
Director: Lin Wu, Fang-Mei	Female		v		Taiwan		v	v	v	v	v	v	v	v	
Independent Director: Cheng, Chit-Man	Male		v		Taiwan		v		v	v		v	v	v	
Independent Director: Chin, Chang-Ming	Male	v			Taiwan		v	v	v	v		v	v	v	

Independent Director: Chou, Man-Chin	Male		v		Taiwan		v	v	v	v		v	v	v	v
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(2) Independence of the Board of Directors

The Company's Board of Directors consists of nine members, including three independent directors, accounting for 33.33% of the Board; the Board possesses the independence to perform duties.

No members of the Board are related as defined in Paragraph 3 of Article 26-3 of the Securities and Exchange Act.

Paragraph 3 of Article 26-3 of the Securities and Exchange Act: Except where the Competent Authority has granted approval, the following relationships may not exist among more than half of the Company's directors:

- I. Spouse.
- II. A relative within the second degree of kinship.

## (II) Information on the general manager, assistant general managers, deputy assistant general managers, and heads of all the divisions and branch units:

April 15, 2024

Job title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Principal Work Experience and Academic Qualifications	Positions Held Concurrently in Other Companies	In a spousal relationship or familial relationship within the second degree of kinship with a manager			Remarks
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relationship	
General Manager	Taiwan	Lin, Cheng-Chien	Male	2020.08	4,205,821	6.89%	1,800,621	2.95%	None	None	Doctoral degree awarded in Edinburgh	None	Assistant General Manager	Lin, Tsyr-Huan	Relative within second degree of kinship	
Assistant General Manager	Taiwan	Lin, Tsyr-Huan	Female	1993.10	6,305,327	10.33%	None	None	None	None	PhD, University of Washington Department of Wood Utilization	Chairman of NaturalTEL Communication Co., Ltd./Chairwoman of Sun Yang	General Manager	Lin, Cheng-Chien	Relative within second degree of kinship	
Finance Manager	Taiwan	Chen, Fu-Mei	Female	2004.03	763	0.00%	None	None	None	None	Soochow University Department of Accounting	None	None	None	None	
Sales Manager	Taiwan	Lin, Tai-Yuan	Male	1996.09	7,072	0.01%	3,264	0.01%	None	None	Department of Economics, Chinese Culture University	None	None	None	None	
Sales Manager	Taiwan	Lin, Chin-Shu	Male	2010.04	63,487	0.10%	20,740	0.03%	None	None	Department of International Trade, College of Business and Management, Tamkang University	None	None	None	None	
Plant Director	Taiwan	Hsu, Chin-Cheng	Male	2021.07	0	0.00%	254	0.00%	None	None	Cheng-Kung Vocational Senior High School	None	None	None	None	
Vice Plant Director	Taiwan	Lin, Chen-Feng	Male	2022.05	0	0.00%	0	0.00%	None	None	Taichung Industrial High School	None	None	None	None	

### III. Remuneration to Directors, General Manager and Assistant General Managers in the most recent year

#### (I) Remuneration to general directors and independent directors

December 31, 2023; Unit: NT\$ thousand

Title	Name	Remuneration to directors								The sum of A, B, C, and D as a percentage of net income (Note 6)		Remuneration received as concurrent employee								Total sum of A, B, C, D, E, F and G and their proportion to profit after tax (Note 6)		Remuneration received from investees other than subsidiaries or the parent company
		Remuneration (A) (Note 1)		Pension (B)		Remuneration to directors (C) (Note 2)		Expenses for services rendered (D) (Note 3)				Salaries, bonuses and special allowances (E) (Note 4)		Pension (F)		Remuneration to employees (G) (Note 5)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements			
Director	Tsai, Cheng-Fung	-	-	-	-	74	74	6	6	80 0.44%	80 0.44%	2,513	2,513	-	-	-	-	-	-	2,593 14.11%	2,593 14.11%	-
Director	Tsai, Chi-Lung	-	-	-	-	72	72	36	36	108 0.59%	108 0.59%	-	-	-	-	-	-	-	-	108 0.59%	108 0.59%	-
Director	Lin, Cheng-Chien	-	-	-	-	72	72	36	36	108 0.59%	108 0.59%	2,186	2,186	99	99	6	-	6	-	2,399 13.05%	2,399 13.05%	-
Director	Lin, Tsyr-Huan	-	-	-	-	72	72	36	36	108 0.59%	108 0.59%	2,017	2,017	-	-	6	-	6	-	2,131 11.60%	2,131 11.60%	-
Director	Lin, Jih-Cheng	-	-	-	-	72	72	36	36	108 0.59%	108 0.59%	-	-	-	-	-	-	-	-	108 0.59%	108 0.59%	-
Director	Lin Wu, Fang-Mei	-	-	-	-	72	72	36	36	108 0.59%	108 0.59%	502	502	2,295	2,295	-	-	-	-	2,905 15.81%	2,905 15.81%	-
Independent Director	Cheng, Chit-Man	120	120	-	-	72	72	30	30	222 1.21%	222 1.21%	-	-	-	-	-	-	-	-	222 1.21%	222 1.21%	-
Independent Director	Chin, Chang-Ming	120	120	-	-	72	72	36	36	228 1.24%	228 1.24%	-	-	-	-	-	-	-	-	228 1.24%	228 1.24%	-
Independent Director	Chou, Man-Chin	120	120	-	-	72	72	36	36	228 1.24%	228 1.24%	-	-	-	-	-	-	-	-	228 1.24%	228 1.24%	-

**1. Please state the policy, system, standard and structure of the remuneration to independent directors, and the correlation to the amount of remuneration based on the responsibilities, risks, time invested and other factors:**

When directors (including independent directors) perform their duties in the Company, regardless of the Company's operating profit or loss, the company may pay remuneration. The Board of Directors is authorized to negotiate their remuneration on the basis of their participation in the Company's operations and the value of their contributions, not exceeding the highest salary standard set by the Company's salary assessment regulations. When there is a surplus, in accordance with Article 34 of the Articles of Incorporation, no more than 4% shall be allocated as remuneration to directors and supervisors. However, if the Company still has a cumulative loss (including adjustment of the undistributed retained earnings amount) from previous years and makes a profit in the current year, it shall first make up for the loss, and then appropriate from the balance the remuneration to directors and supervisors to be distributed in cash according to the proportion in the preceding paragraph. The distribution shall be implemented by the resolution of the Board of Directors with the presence of more than two-thirds of the directors and the approval of more than half of the directors present, and the resolution shall be reported to the shareholders' meeting.

2. In addition to the disclosure in the table above, in the most recent fiscal year, remuneration received by directors (e.g., serving as a non-employee consultant of the parent company/companies in the financial statements/investment businesses): None.

Range of Remuneration Table

Range of remuneration paid to each director	Director name			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Below NT\$1,000,000	Tsai, Cheng-Fung; Tsai, Chi-Lung; Lin, Cheng-Chien; Lin, Tsyrr-Huan; Lin, Jih-Cheng; Lin Wu, Fang-Mei; Cheng, Chit-Man; Chin, Chang-Ming; Chou, Man-Chin	Tsai, Cheng-Fung; Tsai, Chi-Lung; Lin, Cheng-Chien; Lin, Tsyrr-Huan; Lin, Jih-Cheng; Lin Wu, Fang-Mei; Cheng, Chit-Man; Chin, Chang-Ming; Chou, Man-Chin	Tsai, Chi-Lung; Lin, Jih-Cheng; Cheng, Chit-Man; Chin, Chang-Ming; Chou, Man-Chin	Tsai, Chi-Lung; Lin, Jih-Cheng; Cheng, Chit-Man; Chin, Chang-Ming; Chou, Man-Chin
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	None	None	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	None	None	Tsai, Cheng-Fung; Lin, Cheng-Chien; Lin, Tsyrr-Huan; Lin Wu, Fang-Mei	Tsai, Cheng-Fung; Lin, Cheng-Chien; Lin, Tsyrr-Huan; Lin Wu, Fang-Mei
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	None	None	None	None
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	9	9	9	9

Note 1: Refers to the remuneration of directors in 2023 (including directors' salary, job bonus, severance payment, various bonuses, incentives, etc.).

Note 2: This is the amount of remuneration to directors from the motion for earnings distribution approved by the Board of Directors prior to the shareholders' meeting in 2023.

Note 3: Refers to a director's relevant business execution expenses in 2023 (including transportation fees, special expenses, various allowances, dormitory, vehicle allocation, etc.). When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver; however it is not to be included in the remuneration.

Note 4: Refers to the salary, job bonus, severance payment, various bonuses, incentive payments, transportation fees, special expenses, various allowances, dormitory, vehicle allocation and other in-kind provisions received in 2023 by directors who also serve as employees (including also serving as General Manager, Assistant General Manager, other manager and employee). When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver; however it is not to be included in the remuneration.

Note 5: Refers to employee remuneration received in 2023 (including shares and cash) by directors who also serve as employees (including concurrently serving as general manager, assistant general manager, other managers and employees). The amount of employee remuneration from the motion for earnings distribution approved by the Board of Directors prior to shareholders' meeting in the most recent fiscal year shall be disclosed. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the attached Table 1-3 shall be filled in.

Note 6: The net income refers to 2023 income after tax.

(II) Remuneration to supervisors: On June 9, 2022, it was resolved in the shareholders' meeting that an Audit Committee composed of all independent directors was to be set up to replace supervisors.

## (III) Remuneration to the General Manager and Assistant General Managers

December 31, 2023; Unit: NT\$ thousand

Title	Name	Salary (A)		Pension (B)		Bonuses and special allowances (C)		Remuneration to employees (D)				Total sum of A, B, C and D and their proportion to profit after tax (%)		Remuneration received from investees other than subsidiaries or the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
General Manager	Lin, Cheng-Chien	2,186	2,186	99	99			6		6		2,291 12.47%	2,291 12.47%	None
Assistant General Manager	Lin, Tsyr-Huan	2,017	2,017					6		6		2,023 11.01%	2,023 11.01%	None

Range of Remuneration Table

Range of remuneration paid to each general manager and assistant general manager of the Company	Name of the general manager and assistant general manager	
	The Company	All companies included in the financial statements
Below NT\$1,000,000	None	None
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Lin, Cheng-Chien; Lin, Tsyr-Huan	Lin, Cheng-Chien; Lin, Tsyr-Huan
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	2	2

Note 1: Refer to the salaries, duty allowances and severance pay of the General Manager and Assistant General Managers in 2023.

Note 2: Fill in the amount of various bonuses, incentives, travel allowances, special expenses, various subsidies, in-kind benefits such as accommodation and vehicles and other rewards for the General Manager and Assistant General Managers in 2023. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments shall be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the Company to the driver; however it is not to be included in the remuneration.

Note 3: Refers to the amount of employee remuneration (including shares and cash) approved by the Board of Directors for distribution to the general manager and assistant general managers in 2023. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the attached Table 1-3 shall be filled in.

Note 4: The net income refers to 2023 net profit after tax.

## (IV) Names of managers who receive employee remuneration and distribution status

December 31, 2023; Unit: NT\$ thousand

	Title	Name (note 1)	Amount in stock	Amount in cash	Total	Percentage of total amount to profit after tax (%)
Managers	General Manager	Lin, Cheng- Chien		6	6	0.03%
	Assistant General Manager	Lin, Tsyr- Huan		6	6	0.03%
	Finance Manager	Chen, Fu- Mei		6	6	0.03%
	Sales Manager	Lin, Tai- Yuan		6	6	0.03%
	Sales Manager	Lin, Chin- Shu		6	6	0.03%
	Plant Director	Hsu, Chin- Cheng		6	6	0.03%
	Vice Plant Director	Lin, Chen- Feng		6	6	0.03%

Note 1: Names and titles shall be disclosed separately, whereas the amount of remuneration may be disclosed in aggregate.

Note 2: Refers to the amount of employee remuneration (including shares and cash) from earnings distribution approved by the Board of Directors for distribution to the managers during the most recent fiscal year. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year. Profit after tax refers to profit after tax in the most recent fiscal year. If IFRSs have been adopted, profit after tax refers to the profit after tax on the parent company only or individual financial statements.

Note 3: The scope of managers is defined on the basis of Letter Tai-Cai-Zheng-(III)-Zi No. 0920001301 dated March 27, 2003, which is specified below:

- (1) General manager and equivalent rank
- (2) Assistant general manager and equivalent rank
- (3) Deputy assistant general manager and equivalent rank
- (4) Head of the finance department
- (5) Head of the accounting department
- (6) Persons who manage company affairs and are authorized to affix the signature on behalf of the company

Note 4: For directors, general managers and assistant general managers who receive employee remuneration (including shares and cash), details have been disclosed in this Table in addition to Table 1-2.



(V) Remuneration paid in the most recent two years by the Company and all companies included in the consolidated financial statements to the Company's directors, General Managers, and Assistant General Managers as a percentage of net income, and an explanation of the policies and standards and portfolio, the procedure for determining remuneration, and its association with operating performance and future risks.

Unit: NT\$ thousands

2023				2022			
The Company		All companies included in the financial statements		The Company		All companies included in the financial statements	
Total remuneration of directors, General Managers and Assistant General Managers	Percentage of net profit after tax	Total remuneration of directors, General Managers and Assistant General Managers	Percentage of net profit after tax	Total remuneration of directors, General Managers and Assistant General Managers	Percentage of net profit after tax	Total remuneration of directors, General Managers and Assistant General Managers	Percentage of net profit after tax
10,922	59.43%	10,922	59.43%	8,494	-44.26%	8,494	-44.26%

1. Except for the remuneration paid to directors, General Managers and Assistant General Managers by the Company in the consolidated financial statements, the consolidated company has not paid remuneration, so the analysis is the same as the Company's analysis.
2. The remuneration paid to directors, General Managers, and Assistant General Managers by the Company in 2023 increased from that in 2022. The difference was mainly due to the net profit after tax in 2023.
3. The remuneration policy for directors, General Managers and Assistant General Managers is as follows:

When directors perform their duties in the Company, regardless of the Company's operating profit or loss, the Company may pay remuneration, and the remuneration authorizes the Board of Directors to negotiate on the basis of their participation in the Company's operations and the value of their contributions, not exceeding the highest salary standard set by the Company's salary assessment regulations.

When there is a surplus, in accordance with Article 34 of the Articles of Incorporation, the Company shall first set aside 1% to 3% as remuneration to employees and no more than 4% as remuneration to directors and supervisors. However, if the Company still has a cumulative loss (including adjustment of the undistributed earnings amount) and makes a profit in the current year, it should first make up for the loss, and then appropriate from the balance the directors' remuneration in cash according to the proportion in the preceding paragraph, and the employees' remuneration is to be distributed in stock or cash. The distribution shall be implemented by the resolution of the Board meeting with the presence of more than two-thirds of the directors and the approval by more than half of the directors present, and the resolution shall be reported to the shareholders' meeting.

The appointment of the general manager shall be submitted by the chairperson to the Board of Directors for a majority approval; the same procedure applies for the dismissal. The other managers shall be appointed according to the company's HR regulations; the same procedure applies for their dismissal. Manager remuneration shall be handled in accordance with Article 29 of the Company Act and the company's salary payment regulation.

4. The Company has formulated the "Manager Remuneration Standards" and remuneration to managers is subject to their work performance, academic skills and work attitude, with a "performance appraisal form" issued.
5. Remuneration to directors is determined subject to the Articles of Incorporation and the performance evaluation report of the Board of Directors.
6. The total amount of remuneration to directors, General Managers and Assistant General Managers in 2023 accounts for a significant portion of the net income. However, the total amount of remuneration was not high, so there was no significant impact on operating performance and future risks.

#### IV. State of corporate governance operations:

##### (I) State of Board of Directors operations:

##### 1. State of Board of Directors operations

The Board held 6 meetings in 2023 (A). The attendance of directors is as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1 and Note 2)	Remarks
Chairman	Tsai, Cheng-Fung	1	0	17%	Re-elected on June 9, 2022
Director	Tsai, Chi-Lung	6	0	100%	Newly appointed on June 9, 2022
Director	Lin, Cheng-Chien	6	0	100%	Newly appointed on June 9, 2022
Director	Lin, Tsyr-Huan	6	0	100%	Re-elected on June 9, 2022
Director	Lin, Jih-Cheng	6	0	100%	Newly appointed on June 9, 2022
Director	Lin Wu, Fang-Mei	6	0	100%	Re-elected on June 9, 2022
Independent Director	Cheng, Chit-Man	5	1	83%	Re-elected on June 9, 2022
Independent Director	Chin, Chang-Ming	6	0	100%	Re-elected on June 9, 2022
Independent Director	Chou, Man-Chin	6	0	100%	Re-elected on June 9, 2022

##### Other information required:

- I. Matters listed in Article 14-3 of the Securities and Exchange Act and other resolutions adopted by the Board of Directors' meetings with records or stated in writing of independent director expresses an objection or reservation, should state the date, session, the topic discussed, all independent directors' opinion and how the company has responded to such opinions: The independent directors did not express any objections to any matters.
- II. Recusal of the directors from motions involving their interest, specify the name of the director, the content of the motion, the reason for recusal, and the participation in voting: None.
- III. The TWSE/TPEX listed company shall disclose the evaluation cycle and period, scope, method and content of the self-evaluation (or peer evaluation) of the Board of Directors. Please refer to 2 The Board of Directors' evaluation on the implementation.
- IV. The objective of strengthening the functions of the board of directors in the current year and the most recent year (e.g., the establishment of an audit committee, and the improvement of information transparency, etc.) and the evaluation of the implementation: The Company has established the "Rules of Procedure for Board of Directors Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". Regularly convene board meetings, record the whole process by audio for evidence, and produce meeting minutes. The Company also publishes important resolutions on the Company's website to enhance information transparency. For details, please refer to the Company's website at [www.yschem.com.tw/Company News/Corporate Governance Section/8](http://www.yschem.com.tw/Company News/Corporate Governance Section/8). Internal Regulations/Regulations of Procedure for Board of Directors Meetings and Corporate Governance Section/2. Board of Directors/ (2) Important resolutions of the board of directors. We have also set up an Audit Committee and Remuneration Committee to help the Board of Directors fulfill its monitoring duties.

Note 1: If a director resigns before the end of the year, the resignation date shall be indicated in the Remarks field. The actual attendance rate (%) is calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

Note 2: Before the end of the year, if there is a re-election of directors, both the new and the old director shall be listed, and the remarks column shall indicate whether the director is old, new, or re-elected and the date of the re-election. The actual attendance rate (%) shall be calculated based on the number of actual attendance during active duty.

Note 3: (1) The term of office of the original directors and supervisors of the Company was expired on June 11, 2022. The annual general meeting of the Company held a full re-election of directors (including independent directors) on June 9, 2022 to elect 9 directors (including three independent directors), who shall hold the term for three years from June 9, 2022 to June 8, 2025, and may be eligible for re-election.

(2) The Company has established the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and the Order of the Financial Supervisory Commission Jin-Guan-Zheng-Fa-Zi No. 10703452331. Therefore, the Company no longer appointed supervisors in accordance with the law. After the election of independent directors, all independent directors shall form the Audit Committee to replace supervisors.

2. Evaluation on the implementation by the Board of Directors and functional committees

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content	Evaluation results
Once a year	2023.01.01~ 2023.12.31	Performance evaluation of the Board of Directors	Internal 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. 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>	The measurement results covered 5 major aspects, meeting corporate governance requirements.
Once a year	2023.01.01~ 2023.12.31	Performance evaluation of individual Board members	Self-evaluation of Board members	<ol style="list-style-type: none"> <li>1. Grasp of the goals and missions of the Company</li> <li>2. Awareness of the duties of a director</li> <li>3. Participation in the operation of the Company</li> <li>4. Management of internal relationships and communication</li> <li>5. The director's professionalism and continuing education</li> <li>6. Internal control</li> </ol>	The measurement results covered 6 major aspects, meeting corporate governance requirements.
Once a year	2023.01.01~ 2023.12.31	Performance evaluation on the Remuneration Committee	Internal self-evaluation by the Remuneration Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company</li> <li>2. Remuneration Committee's awareness of responsibilities</li> <li>3. Quality of the Remuneration Committee's decision making</li> <li>4. Composition and election of the Remuneration Committee</li> </ol>	The measurement results covered 4 major aspects, meeting corporate governance requirements.
Once a year	2023.01.01~ 2023.12.31	Performance evaluation on the Audit Committee	Internal self-evaluation by the Audit Committee	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company</li> <li>2. Audit Committee's awareness of responsibilities</li> <li>3. Quality of the Audit Committee's decision making</li> <li>4. Composition and election of the Audit Committee</li> <li>5. Internal control</li> </ol>	The measurement results covered 5 major aspects, meeting corporate governance requirements.

## (II). Information on the state of Audit Committee's operations:

1. The Audit Committee of the Company consists of 3 members served by all Independent Directors.
2. Term of office of the current Committee members: from June 21, 2022 to June 8, 2025. The Audit Committee had 5 meetings (A) in 2023. The attendance of the members is as follows:

Title	Name	Number of attendances in person (B)	Attendance by proxy	Actual attendance ratio (%) (B/A) (Note 1 and Note 2)	Remarks
Convener	Chou, Man-Chin	5	0	100%	Inaugurated on June 21, 2022 (re-elected as an independent director for the 2nd term)
Member	Chin, Chang-Ming	5	0	100%	Inaugurated on June 21, 2022 (re-elected as an independent director for the 3rd term)
Member	Cheng, Chit-Man	4	1	80%	Inaugurated on June 21, 2022 (re-elected as an independent director for the 3rd term)

## Other information to be disclosed:

I. For audit committee meetings that meet any of the following descriptions, state the date and session of the audit committee meeting held, the topic discussed, and how the company has handled the audit committee's opinions.

(I) Matters listed in Article 14-5 of the Securities and Exchange Act.

(II) Other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None.

Date	Summary of Important Contents	Resolution Adopted
March 13, 2023	<ol style="list-style-type: none"> <li>1. The Company's 2022 business report, financial statements and consolidated financial statements.</li> <li>2. The Company's 2022 earnings distribution proposal.</li> <li>3. The Company 2022 evaluation of the effectiveness of the internal control system and issuance of the statement of internal control system.</li> <li>4. Establishment of the Company's "Procedures for Preparation and Verification of Sustainability Report."</li> <li>5. Amendments to the Company's "Implementation Rules of Internal Audit" and "Table of Approval Authority."</li> <li>6. Amendments to the Company's "Standard Operating Procedures for Handling Requests from Directors."</li> <li>7. Amendments to the Company's "Regulations Governing the Supervision of Subsidiaries."</li> <li>8. Change of CPAs to Weng, Po-Jen and Hsueh, Chun-Min for the Company's financial statements since 2023Q1.</li> <li>9. Appointment of the current chief internal auditor of the Company, Lu, Yung-Shun.</li> </ol>	<p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p> <p>Approved by resolution</p>
May 8, 2023	<ol style="list-style-type: none"> <li>1. The Company's consolidated financial statements for 2023Q1.</li> <li>2. Establishment of the Company's "Regulations Governing Review on Pre-Approval of Non-Assurance Service Provided by CPAs."</li> </ol>	<p>Approved by resolution</p> <p>Approved by resolution</p>
June 19, 2023	<ol style="list-style-type: none"> <li>1. Determination of the ex-dividend date and payment date of 2022 cash dividend.</li> <li>2. Assessment on the independence of the Company's independent auditors.</li> </ol>	<p>Approved by resolution</p> <p>Approved by resolution</p>
August 7, 2023	<ol style="list-style-type: none"> <li>1. The Company's consolidated financial statements for 2023Q2.</li> <li>2. Establishment of the Company's "Whistleblowing Management Regulations."</li> </ol>	<p>Approved by resolution</p> <p>Approved by resolution</p>

November 6, 2023	1. The Company's consolidated financial statements for 2023Q3. 2. The Company's 2024 annual internal audit plan. 3. Transfer of the Company's chief internal auditing officer.	Approved by resolution Approved by resolution Approved by resolution
<p>II. Recusal of recusal from interest-conflicting motions by independent directors: None.</p> <p>III. Communication between independent directors and the chief internal auditing officer and CPAs (including the material matters, methods and results of communication on the Company's financial and business status, etc.):  The Company's internal audit unit provides audit reports to the Board of Directors and management for review on a regular basis, and delivers them to each independent director for review in accordance with the regulations, as a means to implement the monitoring mechanism of the Audit Committee. The implementation of the internal control system is continuously tracked.  When the Company convenes a board meeting, the attending independent directors are able to communicate and discuss any opinions they have. If a significant violation is found or the Company is likely to suffer material damage, the relevant personnel must immediately prepare a report to be submitted to the independent directors. Meanwhile, the independent directors communicated with the independent directors regarding the key audit matters of the Company's 2023 parent company only financial statements and consolidated financial statements.</p> <p>IV. Summary of the key work in 2023:</p> <ol style="list-style-type: none"> <li>1. Approved the 2022 business report, financial statements and consolidated financial statements, earnings distribution proposal, evaluation of the effectiveness of the internal control system and issuance of the statement of internal control system, and determination of the ex-dividend date and payment date of 2022 cash dividend.</li> <li>2. Approved the consolidated financial statements for 2023 Q1~Q3.</li> <li>3. Approved the "Procedures for Preparation and Verification of Sustainability Report," "Implementation Rules of Internal Audit" and "Table of Approval Authority," "Standard Operating Procedures for Handling Requests from Directors," "Regulations Governing the Supervision of Subsidiaries," "Regulations Governing Review on Pre-Approval of Non-Assurance Service Provided by CPAs" and "Whistleblowing Management Regulations" of the Company.</li> <li>4. Approved the proposal for replacement of the Company's CPAs and transfer of the Company's chief internal auditing officer.</li> <li>5. Assessment on the independence of the Company's independent auditors.</li> <li>6. Approved the Company's 2024 annual internal audit plan.</li> </ol>		

Note 1: If a particular independent director resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The actual attendance rate (%) shall be calculated on the basis of the number of sessions held during the term of office as a member of the Audit Committee and the number of meetings actually attended by that member.

Note 2: If there was a reelection of the independent directors before the end of the year, the new and former independent directors must be stated in the Remarks field, and indicate if an independent director is former, new, or reelected, as well as the reelection date. The actual attendance rate (%) shall be calculated on the basis of the number of sessions held during the term of office as a member of the Audit Committee and the number of meetings actually attended by that member.

(III) State of corporate governance operations and any difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference

Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
I. Has the company established and disclosed its rules of corporate governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?		v	The Company has not yet established its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."	Subject to the Company's development needs and laws & regulations.
II. Equity structure and shareholders' equity (I) Has the company formulated internal operating procedures to handle shareholders' proposals, doubts, disputes, and litigation matters and have the procedures been implemented accordingly? (II) Does the company possess a list of the company's major shareholders and a list of the ultimate controllers of its major shareholders?	v		(I) In accordance with the Company's internal procedures, shareholder proposals, doubts, disputes, and litigation matters are handled by the spokesperson and deputy spokesperson; legal issues are handled by legal advisors. (II) The shareholders of the Company are mainly natural persons, and most of them are the original shareholders. Yuanta Shareholder Service Agency Dept. is appointed to deal with the Company's shareholder services. Each month, the Company has dedicated personnel in charge of understanding the transfer of shares of directors and major shareholders, collecting information and reporting to Yuanta Shareholder Service Agency Dept. to enable it to disclose the information in accordance with the regulations. The Company also possesses a list of the major shareholders and a list of the ultimate controllers of our major shareholders.	(I) No significant difference. (II) No significant difference.
(III) Has the company established and implemented risk control and firewall mechanisms between itself and affiliates?	v		(III) The management duties between the assets of the Company and affiliates are clearly and independently divided. The Company has established the Regulations Governing the Supervision of Subsidiaries and implemented the same accordingly. There have been no non-arm's length transactions. The Company has also established an internal control system to regulate such matters.	(III) No difference.
(IV) Has the company set up internal regulations to prohibit internal personnel from utilizing undisclosed information to trade securities?	v		(IV) The Company has formulated the "Procedures for Handling Material Inside Information" and continues to organize the promotion for prohibition of insiders from using non-public information for trading marketable securities to further prevent insider trading regularly each year.	(IV) No difference.
III. Composition and duties of the Board of Directors (I) Has the board formulated a diversity policy and specific management objectives, and have they been implemented?	v		(I) The Company's Board of Directors consists of 9 directors (including 3 independent directors), who shall hold the term of office for 3 years. Directors are elected based on the scale of the Company's business development and practical	(I) No significant difference.

Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(II) Apart from the remuneration committee and audit committee, has the company voluntarily established other functional committees?		v	<p>operation needs and by taking into account the overall allocation of the Board of Directors. The Board members consist of experts in business management practices and information &amp; communications, attorneys-at-law and practicing CPAs and land administration agents who hold the knowledge, experience, skills and literacy required by their job duties. All members of the Board are the R.O.C. nationals, with an average age of over 50 years old. There are 2 female Board members, accounting for 22.22% of all members, and 3 independent directors, accounting for one-third of all members. The implementation of the diversity policy for all members of the Board: Please refer to Page 11 and the Company's website.</p> <p>(II) The Company has established the Remuneration Committee and Audit Committee pursuant to laws, but has not yet set up other functional committees.</p>	(II) Subject to the Company's development needs and laws & regulations.
(III) Has the company established regulations governing the board performance evaluation and its evaluation methods, and does the company conduct a performance evaluation each year, submit the performance evaluation results to the Board of Directors and use them as a reference in determining the remuneration of individual directors, and a nomination for reappointment?	v		(III) The Company has established Regulations Governing the Board Performance Evaluation and its evaluation methods, and submits the performance evaluation results to the Board of Directors and uses them as a reference in determining the remuneration of individual directors, and a nomination for reappointment. (Please refer to Page 22)	(III) No difference.
(IV) Does the company regularly assess the independence of its CPAs?	v		(IV) The Company appoints professional, responsible and independent auditors. The Board of Directors assesses the independence and competency of the independent auditors regularly each year. The most recent review was completed on June 19, 2023. Ten factors that may have affected the independence of CPAs were assessed and reviewed. (Please refer to Page 46.)	(IV) No difference.

Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
IV. Whether the TWSE/TPEX listed company appoints competent and appropriate corporate governance personnel, and appoints a chief corporate governance officer to be responsible for corporate governance-related affairs (including but not limited to, providing directors and supervisors with the information needed to perform their duties, assisting directors and supervisors in compliance laws, handling matters related to the Board of Directors and Shareholders' Meetings in accordance with the law, and preparing minutes of the Board of Directors and Shareholders' meetings)?	v		The Company has appointed one chief corporate governance officer to be responsible for the corporate governance-related affairs (including, providing directors with the information needed to perform their duties, convening board meetings and shareholders' meetings under laws, completing company registration and registration of changes, preparing board meeting and shareholders' meeting minutes, helping directors in their appointment, continuing education and compliance with laws, etc).	On November 6, 2023, the Board of Directors approved the appointment of the person dedicated to corporate governance-related matters.
V. Has the company established channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a section for stakeholders on the official website of the company, and does the company properly respond to the concerns of the stakeholders on issues related to corporate social responsibility?	v		There is a section on the Company's website dedicated to "stakeholders" and an email is available for responding to important corporate social responsibility concerns of stakeholders. The contents on the Company's website include "Operating Procedures for Transactions of the Group, Specific Companies and Related Parties" and corporate social responsibility reports. Moreover, in accordance with the regulations set forth by the competent authorities, the Company regularly releases its revenue and financial information so that stakeholders have enough information to make judgments to protect their rights and interests.	No difference.
VI. Does the company engage a professional stock transfer agency to handle affairs related to shareholders' meetings?	v		The Company has engaged Yuanta Shareholder Service Agency Dept. to deal with the Company's shareholder services.	No difference.
VII. Information Disclosure (I) Does the company have a website set up where its financial business and corporate governance information is disclosed?  (II) Has the company adopted other information disclosure methods (e.g., establishing an English website, designating a responsible person for collecting and disclosing information of the company, implementing a spokesperson system, and uploading the proceedings of investors conferences on its website, etc.)?	v  v	  v	(I) The Company has set up a website to introduce the Company's business overview and related business, and disclosed a variety of financial and business information accessible by shareholders and the public on the Market Observation Post System (MOPS) as required by the competent authority.  (II) The Company has designated personnel to be responsible for the collection and disclosure of the Company's information, and implemented the spokesperson system. The information on institutional investors conferences has been uploaded to the Company's website to ensure that the information that may affect the shareholders' rights and interests and the decision-making of stakeholders can be disclosed in a timely manner.	(I) No difference.  (II) No difference.



Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for such difference
	Yes	No	Summary	
(III) Has the Company published and reported its annual financial statements within two months after the end of a fiscal year, and published and reported its financial statements for the first, second, and third quarters, as well as its operating status for each month before the specified deadline?			(III) The Company announces and reports its annual financial statements within three months in accordance with Article 36 of the Securities and Exchange Act, and announces and reports its financial statements for the first, second, and third quarters and the operating status of each month before the prescribed deadline. Please refer to the Market Observation Post System (MOPS) and the Company's website for the information disclosure.	(III) Subject to the Company's development needs and laws & regulations.
VIII. Is there any other important information that is helpful in understanding the corporate governance operation of the company (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, continuing education of the directors and supervisors, implementation of the risk management policy and risk measurement criteria, implementation of customer policy, and the purchase of liability insurance for directors and supervisors by the company)?	v		<p>The relevant information has been disclosed on the dynamic page of the Company's website.</p> <p>(I) The "Regulations for Board of Directors Meetings" specify that motions listed in the Board of Directors meeting may not be voted on if there is a risk of harming the Company's interests due to conflicts of interest.</p> <p>(II) The Company's directors and managers are covered with US\$1,000,000 liability insurance.</p> <p>(III) The Company organizes two continuing education programs for directors regularly each year. Professional courses taken by them have been uploaded onto the MOPS.</p> <p>(IV) The attendance of directors at Board of Directors meetings is good, and the relevant information has been uploaded onto the MOPS.</p> <p>(V) Implementation of risk management policy and risk measurement criteria: According to the nature of the business, the Company's management of various operational risks is handled by relevant management units. The Audit Office evaluates existing or potential risks of various operations to formulate a risk-oriented annual audit plan. The implementation and management units for risks are as follows:  General Manager's Office: Following the demands of the general manager, the General Manager's Officer is responsible for management decision planning and evaluating investment benefits to reduce management and investment risks.  Manufacturing Division: Responsible for production, manufacturing, equipment repair and maintenance, work rules, and labor safety and health management to reduce production risks.</p>	No significant difference.

Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for such difference
	Yes	No	Summary	
			<p>Sales Department: Responsible for marketing planning, product promotion, and mastering market information and trends to reduce business and operational risks.</p> <p>Procurement Department: Responsible for understanding raw material information and price changes to reduce material disruption risks.</p> <p>Information Department: Responsible for information security control and maintenance to reduce information security risks.</p> <p>Finance Department: Responsible for financial scheduling and utilization and establishing a hedging mechanism to reduce financial risks.</p> <p>(VI) Implementation of consumer or customer protection: The Company has passed ISO 9001 quality assurance certification of DNV. At Yong Shun, we have excellent quality control and have established credit management to build inclusive information of customers. Through our credit check mechanism, we provide appropriate credit lines and collection conditions to ensure that transactions are smooth and secure.</p> <p>(VII) The Company has established a labor union organization as a means to protect the rights and interests of employees. The labor union meetings are convened on a regular basis. Each year, the Company engages a specialized clinic to perform health checkups for employees. The Company has also set up the Employee Welfare Committee and contributed to the welfare fund and employee pension in accordance with the laws. Relevant employee benefit measures and a retirement system are detailed in the employees' "Work Rules" and can be found on the Company website. For the continuing education and training of employees, please refer to Page 58</p> <p>(VIII) The Company has formulated the "Procedures for Handling Material Inside Information" to establish the Company's internal material information handling process and disclosure mechanism. By doing this, the Company ensures the consistency and accuracy of the information it releases to the public. Each year, the Company also promotes these Procedures to directors, managers and all employees. The procedures have been disclosed on the Company's website (Company News/Corporate Governance Section/8. Internal Regulations/Procedures for Handling Material Inside</p>	

Evaluation Item	State of Operations			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
			Information) for reference by the employees and related parties.	
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center in the most recent fiscal year, and propose priorities for enhancement matters and measures for any issues that are to be improved: The Company will continue to work on the items which have not yet won any scores, and subject to the Company's development needs and laws & regulations, continue to evaluate the planning and improvement.				

(IV) Composition and operation of the Remuneration Committee:

1. Information on Remuneration Committee members:

Identity (Note 1)	Name	Professional qualifications and experience			State of independence (Note 2)										Number of other public companies in which the individual concurrently serves as Remuneration Committee members	Remarks	
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Cheng, Chit-Man	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Chin, Chang-Ming		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Chou, Man-Chin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: For "Identity", please fill in director, independent director or other.

Note 2: Please mark the box with "✓" if the members met the following conditions during active duty and two years prior to the date elected.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of 1% or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under (1) or any of the persons under (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor, or employee of another company if a majority of the company's director seats or voting shares and those of any other company are controlled by the same person (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a director, supervisor or employee of another company or institution in which the chairperson, general manager or personnel with equivalent position are the same person or have a spousal relationship (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution in a business or financial relationship with the company (the same does not apply. However, in case the specific company or institution holds more than 20% but less than 50% of the company's total issued shares. The person is an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional, owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provided commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider received cumulative

compensation exceeding NT\$500,000 in the most recent two fiscal years, or a spouse thereof. However, this restriction does not apply to a member of the Compensation Committee, Public Tender Offer Review Committee, or Special Committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Does not meet any of the conditions stated in Article 30 of the Company Act.

2. Information on the state of Remuneration Committee operations

- I. The Remuneration Committee of the Company consists of 3 members served by all Independent Directors.
- II. Term of office of the current Committee members: from June 21, 2022 to June 8, 2025. The Remuneration Committee had 3 meetings (A) in the most recent fiscal year. The attendance of the members is as follows:

Title	Name	Number of attendances (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1 and Note 2)	Remarks
Convener	Chou, Man-Chin	3	0	100%	Re-elected on June 21, 2022
Member	Chin, Chang-Ming	3	0	100%	Re-elected on June 21, 2022
Member	Cheng, Chit-Man	2	1	67%	Re-elected on June 21, 2022

Other information required:

- I. If the Board of Directors declined to adopt or modified a recommendation from the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason).
- II. For the resolutions of the remuneration committee, if a member expressed any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified.
- III. Information on periodical reviews of the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors, and managers.
- IV. Discussed topics and resolutions adopted by the Remuneration Committee

Date	Summary of Important Contents	Resolution Adopted
March 13, 2023	1. The Company's 2022Q4 managerial officers' performance appraisal. 2. The Company's adjustment of the remuneration to managers in 2023. 3. The Company's 2022 "Board of Directors' Performance Evaluation."	Approved by resolution. Approved by resolution. Approved by resolution.
May 8, 2023	The Company's 2023Q1 managerial officers' performance appraisal.	Approved by resolution.
November 6, 2023	1. The Company's 2023Q2 and 2023Q3 managerial officers' performance appraisal. 2. The Company's year-end bonus for managers in 2023.	Approved by resolution. Approved by resolution.

Note 1: If a particular member of the Remuneration Committee resigned from office prior to the end of the fiscal year, specify the date of resignation in the field provided. The actual attendance rate (%) shall be calculated on the basis of the number of sessions held during the term of office as a member of the Remuneration Committee and the number of meetings actually attended by that member.

Note 2: If there was a reelection of the Remuneration Committee before the end of the year, the new and former members of the Remuneration Committee must be stated in the Remarks field, and indicate if such member is old, new, or reelected, as well as the reelection date. The actual attendance rate (%) shall be calculated on the basis of the number of sessions held during the term of office as a member of the Remuneration Committee and the number of meetings actually attended by that member.

(V) Implementation of sustainable development and deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof, and climate-related information:

1. Deviation and reasons thereof

Promotion Item	Implementation State			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development which is authorized by the Board of Directors to be handled by senior management and supervised by the Board of Directors?		v	1. Although the Company does not set up a dedicated unit to promote sustainable development, but every year, it commissions external professional companies to assist employees in various departments to issue sustainability reports in accordance with SASB standards, and the CPAs will issue assurance reports. 2. The Sustainability Report is issued once a year and shall be submitted to the Board of Directors for approval. 3. The Company values corporate governance. In recent years, the Company has continued to refine the Company through an array of means including strengthening Board functions, deepening responsible governance, improving information transparency, and enhancing the interaction between stakeholders. The Company hopes to enhance the performance of its operations through comprehensive management mechanisms, achieving the goal of sustainability.	No significant difference.
II. Has the Company conducted risk assessments of environmental, social and corporate governance issues pertaining to company operations in accordance with the materiality principle and established a relevant risk management policy or strategy?	v		By taking into account the guidelines of topics listed in the Global Reporting Initiative (GRI), we collect stakeholders' concerns and conduct a risk assessment of the Company's operations, environment, labor-management and corporate governance issues. We also formulate risk management strategies and disclose them on the Company's website and the sustainability report.	No significant difference.
III. Environmental issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	v		(I) In accordance with the relevant regulations, we have set up dedicated environmental protection personnel to implement environmental management systems for the inspection of exhaust emissions and the operating environment and detecting organic gas leaks at the planning stage of the production process. This allows us to thoroughly grasp the safety status of the machinery equipment and the operating environment. Furthermore,	(I) No significant difference.

Promotion Item	Implementation State			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference
	Yes	No	Summary	
(II) Is the company committed to enhancing the utilization efficiency of resources and using renewable materials that have a low impact on the environment?	v		air pollution prevention measures have been added and inspections are conducted according to the operating permit standards. (II) The company has invested in heat recovery related equipment to reduce energy use to reduce carbon dioxide, and some packaging materials are recycled to reduce environmental impact. On November 9, 2022, the Company's Board of Directors approved the establishment of solar power generation and wheeling system for self-use, in response to the government's green energy policy aiming to reduce carbon by 20% in 2030. At the end of 2023, the system has been connected with the power grid of Taipower.	(II) No significant difference.
(III) Does the company assess the present and future potential risk and opportunities of climate change and adopt countermeasures related to climate issues?	v		(III) The Company continues to assess and monitor possible risks and opportunities climate change may bring in the future through raw material management and energy management. At present, the Company strives to reduce carbon and use solar power generation in response to climate change.	(III) No significant difference.
(IV) Has the company prepared statistics on greenhouse gas emissions, water consumption and total volume of waste for the past two years, and formulated policies for saving energy and reducing carbon, greenhouse gas, water use, or other waste management?	v		(IV) In accordance with the regulations, we continue to keep statistics of wastewater, waste gas and waste treatment. Our aim is to achieve the goals of energy conservation, carbon reduction, greenhouse gas, waste consumption and waste reduction through the improvement of processes and replacement of energy-consuming burners. In a bid to monitor exhaust emissions, we have also installed differential pressure gauges in exhaust scrubber towers, exhaust condenser thermometers, and condenser gas flow meters, further preventing exhaust leaks.	(IV) No significant difference.
IV. Social Issues				
(I) Does the company have the relevant management policies and procedures stipulated in accordance with the applicable laws and regulations and international conventions on human rights?	v		(I) We have formulated "Work Rules" in line with the Labor Standards Act. We respect and support internationally recognized human rights conventions and prohibit child labor, forced labor, and pregnant employees are prohibited from working night shifts.	(I) No significant difference.

Promotion Item	Implementation State			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference
	Yes	No	Summary	
(II) Has the Company established and implemented reasonable measures for employee benefits (including remuneration, holidays and other benefits) that appropriately reflect the business performance or achievements in the employee remuneration?	v		(II) We have set up an Employee Welfare Committee, and the "Work Rules" released to employees clearly define welfare measures. Salaries are adjusted after negotiation with the labor union according to the previous year's operating results. At present, April 1 is set as the fixed salary adjustment date. Consequently, we also pay annual remuneration and year-end bonuses to employees depending on the business performance.	(II) No significant difference.
(III) Has the company provided employees with a safe and healthy work environment and regularly provided safety and health education to employees?	v		(III) The environmental inspection is conducted once every April and October. The education and training on safety and health and hazardous substances is performed every June and December. The Company engages a specialized clinic to perform health checkups for employees and workers performing special operations at the end of each year. There was no major fire incident in 2023. The factory premise holds two regular fire drills each year.	(III) No significant difference.
(IV) Has the company established an effective career development training program for its employees?	v		(IV) The Company encourages employees to continue their education and training and implements them in accordance with relevant laws and regulations on labor safety and health. If relevant regulations are obtained, they will be awarded bonuses according to their grades, so as to establish effective career capacity development training. The employees' continuing education and training has taken 204.5 hours in total in 2023.	(IV) No significant difference.
(V) Does the company comply with laws and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and has the company implemented consumer protection policies and complaint procedures?		v	(V) As the Company respects the interests and appeals of consumers, various management rules are disclosed on the Company's website, as well as a contact window and contact method, to directly help customers handle any issues they might have.	(V) Subject to the Company's development needs and laws & regulations.
(VI) Has the company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health	v		(VI) A supplier management process has been established in the Company's ISO 9001 requiring suppliers to provide product quality and material safety information to ensure environmental protection. At the same time, we promote the development of sustainability to suppliers by issuing supplier CSR pledges, requiring major	(VI) No significant difference.



Promotion Item	Implementation State			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference
	Yes	No	Summary	
or labor human rights issues, and does the company track suppliers' performance on a regular basis?			suppliers to not pollute the local environment, harm the health of laborers or violate labor rights during the production process of raw materials. This has received the support and recognition of major suppliers.	
V. Has the company prepared a sustainability report or a report on non-financial information with reference to internationally accepted standards or guidelines? Are these reports supported by the assurance or opinion of a third-party verification entity?	v		We disclose the report on the Company's non-financial information and comparison table of the GRI Index by taking into account the guidelines of topics listed in the Global Reporting Initiative (GRI). This report has been assured by a third party.	No significant difference.
<p>VI. If the company has formulated its own Sustainable Development Best-Practice Principles in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operation and the Principles:  In terms of the actual management, we do our utmost to implement the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". Furthermore, we have formulated various norms including the "Work Rules and Safety and Health Work Rules" and the "Supplier Management Procedures", and we regularly conduct promotion and inspection activities; therefore, there are no differences from the spirit of the Principles.</p>				
<p>VII. Other important information to help understand the promotion of sustainable development implementation:</p> <p>(I) We adhere to the concept of sustainable management and take product responsibility seriously as we believe that products are a company's corporate image. It goes against the Company's spirit of sustainable management if there is a risk concerning the health and safety of users or consumers. The Company conducts improvement and safety assessments on the development of product concepts, R&amp;D, certification, manufacturing, and storage and transportation, and supply of products in the production process. By doing this, the Company hopes to achieve the projected functions of products to ensure that no harm will be caused to the safety of users or consumers and no risks will arise from using the Company's products.</p> <p>(II) At the same time, we proactively engage in social responsibility and social welfare activities, hoping to give back to society. Our specific social welfare actions are as follows:  1. Sponsored the Yuanfu Temple in Kengkou Vil., Luzhu District, Taoyuan City.  2. Sponsored the Lantern Festival activity held by Taoyuan City Coastal Leisure Association.  3. Sponsored the Kengkou Village Sports Club in Luzhu District, Taoyuan City.  4. Sponsored by Kengzikou Volunteer Association in Kengkou Vil., Luzhu District, Taoyuan City.  5. Sponsored the pilgrimage and jogging event of Chengsheng Temple in Kengkou Village, Luzhu District, Taoyuan City.  6. Sponsored the Mid-Autumn Festival Gala of Kengkou Community Development Association in Kengkou Vil., Luzhu District, Taoyuan City.  7. Sponsored the land purchase fund of Yuanfu Temple in Kengkou Vil., Luzhu District, Taoyuan City.  8. Sponsored the Double Ninth Festival for the elderly event in Kengkou Village, Luzhu District, Taoyuan City.  9. Sponsored Taoyuan City Coastal Leisure Association.  10. Sponsored the workshop of environmental protection volunteers in Kenkou Vil., Luzhu District, Taoyuan City.  11. Sponsored the neighborhood watch team of Kengkou Vil., Luzhu District, Taoyuan City.  12. Sponsored Kengkou Community Development Association in Kengkou Vil., Luzhu District, Taoyuan City.  13. Sponsored the Taoyuan Police Friends Association.</p> <p>(III) At Yong Shun, we respect the basic human rights of employees. In addition to specifying the protection of human rights in the "Work Rules" and the "Measures for Sexual Harassment Prevention", we also stand firm on prohibiting child labor and do not discriminate or treat job applicants or employees any differently based on their race, gender or</p>				

Promotion Item	Implementation State			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference
	Yes	No	Summary	
age. Moreover, by having the labor union, Employee Welfare Committee and Sexual Harassment Prevention Committee in place, we continue to maintain a harmonious labor-management relationship.				

## 2. Climate-related information:

Item	Implementation State
<p>1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.</p> <p>2. Describe how the identified climate risks and opportunities affect the Company's business, strategy and finance (for short-, medium-, and long-term).</p> <p>3. Describe the financial impact of extreme climate events and transformation actions</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If a scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and main financial impacts used shall be described.</p> <p>6. If there is a transformation plan in place to manage climate-related risks, specify the contents of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.</p>	<p>The discussion and management of the climate change of the Company are carried out by ESG Committee members, and the climate change related issues are resolved by the Committee Chairman. Upon identification, the potential risks and opportunities of climate change and strategies are disclosed as follows:</p> <p>1. Transformation risks - from the policy and regulatory aspect, increase the pricing of greenhouse gas emission. The 2022 Taiwan Climate Change Act intended to require that the carbon fees should be paid on the corporate greenhouse gas emissions. The draft of the Act has been sent to the Executive Yuan. The Act shall be applied to the major customers generating the GHG and carbon emissions more than 25,000 mt as the first priority. The Company is not identified as the priority company which shall apply said Act. Notwithstanding, in response to customers and future development trends, the Company regards it as a major climate risk, and takes the following countermeasures:</p> <ul style="list-style-type: none"> <li>▪ The subsidiaries continue to implement the ISO 14064-1 greenhouse gas inventory system, and set forth and implement a carbon reduction target plan. The Company plans to implement the inventory in advance in 2024.</li> <li>▪ In the evaluation of new equipment procurement, the carbon emission cost will be taken into account, including the reduction of carbon emissions and carbon price as the basis for equipment procurement or investment.</li> <li>▪ Improving the energy efficiency of existing equipment, focusing on energy conservation at the production sites, such as upgrading high-efficiency energy equipment, using lower carbon or higher calorific value emitting fuels, and thermal insulation of pipelines.</li> </ul> <p>2. Transformation risk - Technically, the Company will replace existing products and services with low-carbon products.</p> <ul style="list-style-type: none"> <li>▪ The rising public awareness toward environmental protection in turn drives the global consumption of bio-based chemicals to create an economic chain with a low-carbon footprint. The global production capacity of bio-based chemicals is growing rapidly, with a compound annual growth rate estimated to attain 8% or more. In recent years, the Company has also been active in the R&amp;D and promotion of bio-based polymer materials. Until 2022, the Company has completed a total of 12, 41 and 30 resin product series. The main raw materials are bio-based. The Company also continues to move towards zero carbon emissions by products.</li> </ul>

Item	Implementation State
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.</p> <p>8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, the source and quantity of carbon reduction credits or the quantity of Renewable Energy Certificates (RECs) should be explained.</p> <p>9. Greenhouse gas inventory and assurance; reduction goals, strategies and specific action plans</p>	<p>3. Physical risk - immediate</p> <ul style="list-style-type: none"> <li>▪ The increase in extreme weather events has led to an increase in the frequency of typhoons and rainstorms, which may flood the Taoyuan factory premises and affect factory operations. After assessment, it may cause financial losses. The factory has completed waterproofing works, so the overall operational impact that might be posed is not considered significant. The countermeasure taken by the Company is the implementation of regular cleaning and maintenance of the drainage system and establishment of emergency response plans for typhoons and rainstorms to mitigate immediate risks.</li> <li>▪ In response to the risk over rationing, the Company increases the utilization efficiency of water resources through water recovery and recycling.</li> </ul> <p>The Company takes advantage of ESG meetings to discuss and convene relevant members to discuss and identify climate change risks and opportunities. The framework suggested by TCFD is implemented to discuss and identify transformation risks (policy, law &amp; regulations, technology, market, and reputation), physical risks (immediate risks and long-term risks) and opportunities (resource efficiency, energy sources, products/services, markets, and resilience).</p> <p>Subject to the Company's development needs and laws &amp; regulations.</p> <p>Subject to the Company's development needs and laws &amp; regulations.</p> <p>According to the Sustainable Development Roadmap, the Company expects to conduct a GHG inventory in 2025 and a GHG assurance in 2026.</p>

(VI) Ethical management and deviation from the Ethical Corporate Management Best-Practice Principles and reasons thereof

Evaluation Item	State of Operations			Difference from the Ethical Corporate Management Best-Practice Principles and the reasons for such difference
	Yes	No	Summary	
I. Establishment of the ethical corporate management policy and action plans		v		
(I) Has the company established an ethical corporate management policy approved by the Board of Directors? Does the policy clearly specify in its rules and external documents the ethical corporate management policies, and the commitment of the Board of Directors and the senior management to proactively implement the management policy?		v	(I) The Company has established the "Regulations for Board of Directors Meetings" and "Work Rules and Safety and Health Work Rules" in the spirit of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," in order to enable both of the management and labors to be committed to establishing the corporate and professional ethics and require directors and managers to lead by example, abide by the principle of good faith, and establish the corporate culture of honesty and devotion.	(I) This will be handled in the future according to the development needs of the Company and regulations.
(II) Has the company established a risk assessment mechanism against unethical acts, analyzed and assessed business activities within their business scope regularly that have a higher risk of involving unethical acts, and established prevention programs covering at least the preventive measures specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"?		v	(II) Although the Company has not yet set forth prevention programs for unethical acts, the conduct guidelines, disciplinary actions and grievance channels are provided in the "Whistleblowing Management Regulations" and other regulations, which are implemented precisely.	(II) This will be handled in the future according to the development needs of the Company and regulations.
(III) Has the company clearly provided the operating procedures, conduct guidelines, disciplines for violations and a grievance system in its program to prevent unethical acts and have these been implemented, and has the program been regularly reviewed and amended?		v	(III) Although the Company has not yet set forth the prevention programs, preventive measures are provided in various regulations and internal control system for business activities that have a higher risk involving unethical acts.	(III) This will be handled in the future according to the development needs of the Company and regulations.
II. Implementation of ethical corporate management		v		
(I) Has the company evaluated the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements entered into with business partners?		v	(I) Although the Company's trading counterparts do not sign contracts with specific ethical management clauses, the Company will re-evaluate the sales level of customers' credit standing every year. Most of the trading counterparts have good ethical management records and have interacted with the Company for a long term. As our management philosophy is integrity, transparency and responsibility, we continue to make an effort to promote policies based on ethical corporate	(I) This will be handled in the future according to the development needs of the Company and regulations.

Evaluation Item	State of Operations			Difference from the Ethical Corporate Management Best-Practice Principles and the reasons for such difference
	Yes	No	Summary	
(II) Has the company set up a dedicated (concurrent) unit to promote ethical corporate management under the Board of Directors, and has such unit reported to the Board of Directors its execution in terms of ethical management policy and preventive programs against unethical conducts and the supervision status on a regular basis (at least once a year)?		v	(II) management, further creating a sustainable management environment. The Company has not yet set up a dedicated (or part-time) unit under the Board of Directors to promote corporate ethical management. However, if there are any violations of ethical management, the Company will instruct relevant personnel to report to the Board of Directors.	(II) This will be handled in the future according to the development needs of the Company and regulations.
(III) Has the company formulated a policy that prevents conflicts of interest and a channel that facilitates the reporting of conflicts of interest?		v	(III) The Company's "Regulations for Board of Directors Meetings" expressly state that if a director or their representative has an interest in a motion at the Board meeting, they must explain the important contents of their interest at that Board meeting. Where there is a risk of a conflict of interest in the director or their representative that may harm the Company's interests, they may not join in the discussion or vote and shall recuse themselves from the discussion or voting and may not exercise their voting rights on behalf of another director. Meanwhile, there is a stakeholder section on the Company's website to provide an appropriate channel of expression.	(III) This will be handled in the future according to the development needs of the Company and regulations.
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and proposed relevant audit plans according to the assessment results of the risks of unethical conducts, and reviewed the compliance of the prevention of unethical conducts, or entrusted an accountant to carry out the review?	v		(IV) The Company complies with the internal control system, continues to implement it effectively, implements internal control self-inspection, strengthens auditing and reporting to the Board of Directors, and implements the functions of directors to achieve the purpose of attention and supervision.	(IV) No significant difference.
(V) Does the company organize internal or external training on a regular basis to maintain ethical management?	v		(V) In line with the spirit of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", we provide education and training on ethical management on a regular basis, including material internal information handling and prevention of insider trading. In doing so, we implement the concepts of ethical management.	(V) No significant difference.
III. State of operations of the company's reporting system	v			(I) No significant difference.

Evaluation Item	State of Operations			Difference from the Ethical Corporate Management Best-Practice Principles and the reasons for such difference
	Yes	No	Summary	
(I) Has the company set up a specific reporting and incentive system, and established a channel to facilitate grievances and assigned dedicated personnel to receive grievances?	v		(I) The Company's "Work Rules" clearly define the reward system, and there is a report mailbox available for internal and external personnel in Article 4 of the Whistleblowing Management Regulations on the Company's website. So far, no whistle-blowing has occurred.	(II) No significant difference.  (III) No significant difference.
(II) Has the company implemented any standard operating procedures and subsequent measures after carrying out an investigation, as well as confidentiality measures for handling grievances filed?			(II) The relevant operating procedures are detailed in Article 6 of the Company's Whistleblowing Management Regulations, and the relevant confidentiality mechanisms are detailed in Article 7 of the same Regulations.	
(III) Has the company taken appropriate measures to protect whistleblowers from improper treatment as a result of whistleblowing?	v	(III) Article 7 of the Company's Whistleblowing Management Regulations expressly state that the Company will protect whistleblowers from improper treatment after their whistleblowing, and a whistle-blowing mailbox has been set up. So far, no whistle-blowing has occurred.		
IV. Strengthening of information disclosure Has the company disclosed the content of its ethical corporate management best-practice principles and the results of promotion on its official website and MOPS?		v	Although we have not yet formulated our own ethical corporate management best-practice principles, internal regulations (e.g., Operating Procedures for Material Internal Information Handling and Prevention of Insider Trading) concerning the disclosure of ethical corporate management are disclosed on the Company's website.	This will be handled in the future according to the development needs of the Company and regulations.
V. If the company has formulated its own Ethical Corporate Management Best-Practice Principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operation and the Principles: We have not yet formulated our own ethical corporate management best-practice principles; however, matters in relation to ethical corporate management are regulated in the Company's internal rules; there are no differences from the spirit of the Principles.				
VI. Any other important information that may help understanding the company's performance of ethical corporate management better: (e.g., review of amendments to its Ethical Corporate Management Best-Practice Principles): None.				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

The Company has formulated the regulations related to corporate governance best practice principles, which are disclosed on the Company's website.

(VIII) Any other material information that would afford a better understanding of the status of the company's implementation of corporate governance may also be disclosed:

The Company prepares a sustainability report each year to enhance the understanding and improvement of the state of the Company's corporate governance.

(IX) The following shall be disclosed for the company's implementation of the internal control system

1. Statement of Internal Control

Yong Shun Chemical Co., Ltd.

Statement of the Internal Control System

Date: March 11, 2024

The Company states the following with respect to its 2023 internal control system based on the results of a self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take immediate remedial actions.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the Regulations are based on the process of management control, dividing the internal control system into five composite factors: 1. Control environment, 2. Risk evaluation, 3. Control operations, 4. Information and communication, and 5. Supervision operations. The composition of each element also includes several items. Please refer to the Regulations for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of the design and execution of its own internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of subsidiaries) as of December 31, 2023, including understanding the achievement of the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable laws and regulations, was effective in design and execution, and can reasonably assure the achievement of the aforementioned objectives.
- VI. This Statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falsity or concealment, it shall be liable to the legal liabilities stipulated in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The Statement was passed by the Company's Board of Directors in their meeting held on March 11, 2024. Among the 8 attending directors, 0 had objections, and the remainder all agreed with the contents of the Statement.

Yong Shun Chemical Co., Ltd.

Chairman: Tsai, Cheng-Fung

General Manager: Lin, Cheng-Chien

2. CPA audit report, where a CPA was engaged to carry out a special audit of the internal control system:  
None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and status of improvements: In 2023 and up to the date of publication of the annual report, no penalties have been imposed on the Company.

(XI) Important resolutions adopted at the shareholders' meeting and Board of Directors meeting in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Important resolutions adopted at the shareholders' meeting:

2023 Annual General Meeting

Time	Summary of contents of important resolutions	Implementation status of resolutions adopted
June 19, 2023	<p>1. Report Items</p> <p>(1) The Company's 2022 Business Report.</p> <p>(2) The Audit Committee's review report on the Company's 2022 financial statements.</p> <p>2. Ratification Items</p> <p>(1) Ratification of the Company's 2022 financial statements.</p> <p>(2) Ratification of the Company's 2022 earnings distribution.</p> <p>3. Discussions: None.</p> <p>4. Election matters: None.</p> <p>5. Other motions: None.</p>	<p>No shareholder raised any question.</p> <p>No shareholder raised any question.</p> <p>No shareholder raised any question.</p> <p>No shareholder raised any question. The ex-dividend date was set on July 15, 2023, and July 28, 2023 was the payment date for the cash dividend.</p>

2. Important resolutions adopted at the Board meeting

Summary of contents of important resolutions adopted at the Board meeting in 2023 and 2024

Date	Summary of contents of important resolutions
March 13, 2023	<ol style="list-style-type: none"> <li>1. Approved the motion for the 2022 business report and various final accounts.</li> <li>2. Approved the 2022 earnings distribution with cash dividends at NT\$0.5/share, totaling NT\$30,528,000.</li> <li>3. Approved the performance appraisal of managers for 2022 Q4 reviewed by the Remuneration Committee.</li> <li>4. Approved the motion for the 2023 adjustments to remuneration to managers reviewed by the Remuneration Committee.</li> <li>5. Approved the Company's 2022 statement of the internal control system.</li> <li>6. Approved the Company's 2022 "Board Performance Evaluation".</li> <li>7. Approved the date of the 2023 shareholders' meeting, June 19, 2023.</li> <li>8. Approved the time and location for accepting shareholder proposals for the 2023 shareholders' meeting.</li> <li>9. Approved the establishment of the Company's "Procedures for Preparation and Verification of Sustainability Report".</li> <li>10. Approved the motion for amendments to the Company's "Implementation Rules of Internal Audit" and "Table of Approval Authority".</li> <li>11. Approved the motion for amendments to the "Standard Operating Procedures for Handling Requests from Directors" of the Company.</li> <li>12. Approved the motion for amendments to the "Regulations Governing the Supervision of Subsidiaries" of the Company.</li> <li>13. Approved the rollover of the borrowing line from Mega International Commercial Bank, South Taipei Branch.</li> <li>14. Approved the rollover of the borrowing line from Hua Nan Commercial Bank, Chengdong Branch.</li> <li>15. Approved the change of CPAs to Weng, Po-Jen and Hsueh, Chun-Min for the Company's financial statements since 2023Q1.</li> <li>16. Approved the motion for the appointment of the current chief internal auditor of the Company.</li> </ol>



Date	Summary of contents of important resolutions
April 28, 2023	1. Approved the motion for the election of the proxy of the Company's 20th Chairperson.
May 8, 2023	<ol style="list-style-type: none"> <li>1. Approved the 2023Q1 consolidated financial statements.</li> <li>2. Approved the performance appraisal on managers for 2023Q1 reviewed by the Remuneration Committee.</li> <li>3. Approved the establishment of the Company's "Regulations Governing Review on Pre-Approval of Non-Assurance Service Provided by CPAs."</li> </ol>
June 19, 2023	<ol style="list-style-type: none"> <li>1. Approved the 2022 ex-dividend base date set on July 15, 2023, and the cash dividends payment date on July 28, 2023.</li> <li>2. Approved the rollover of the borrowing line from Taiwan Business Bank, Songjiang Branch.</li> <li>3. Approved the assessment on the independence and competency of the Company's independent auditors.</li> </ol>
August 7, 2023	<ol style="list-style-type: none"> <li>1. Approved the 2023Q2 consolidated financial statements.</li> <li>2. Approved the establishment of the Company's "Whistleblowing Management Regulations."</li> </ol>
November 6, 2023	<ol style="list-style-type: none"> <li>1. Approved the 2023Q3 consolidated financial statements.</li> <li>2. Approved the Company's 2024 budget.</li> <li>3. Approved the Company's 2024 annual internal audit plan.</li> <li>4. Approved the performance appraisal on managers for 2023Q2 &amp; 2023Q3 reviewed by the Remuneration Committee.</li> <li>5. Approved the 2023 year-end bonus to managers reviewed by the Remuneration Committee.</li> <li>6. Approved the rollover of the borrowing line from Taiwan Cooperative Bank, Songjiang Branch.</li> <li>7. Approved the transfer of the Company's chief corporate governance officer.</li> <li>8. Approved the transfer of the Company's chief internal auditing officer.</li> </ol>
March 11, 2024	<ol style="list-style-type: none"> <li>1. Approved the remuneration to directors and employees for 2023 reviewed by the Company's Remuneration Committee.</li> <li>2. Approved the Company's 2023 business report, financial statements and consolidated financial statements.</li> <li>3. Approved the Company's 2023 earnings distribution proposal.</li> <li>4. Approved the performance appraisal on managers for 2023Q4 reviewed by the Remuneration Committee.</li> <li>5. Approved the motion for the 2024 adjustments to remuneration to managers reviewed by the Remuneration Committee.</li> <li>6. Approved the Company's 2023 statement of internal control system.</li> <li>7. Approved the Company's 2023 "Performance Evaluation on the Board of Directors and Functional Committees."</li> <li>8. Approved the date, venue, and causes of the Company's 2024 annual general shareholders' meeting.</li> <li>9. Approved the matters related to acceptance of shareholders' proposals at the Company's 2024 shareholders' meeting.</li> <li>10. Approved to amend the Company's "Regulations Governing the Board Performance Evaluation."</li> <li>11. Approved to amend the Company's "Regulations for Board of Directors Meetings."</li> <li>12. Approved to amend the Company's "Organizational Rules of Audit Committee."</li> <li>13. Approved the rollover of the borrowing line from Mega International Commercial Bank, South Taipei Branch.</li> <li>14. Approved the credit risk limit extension for financial product transactions of Mega International Commercial Bank, South Taipei Branch.</li> <li>15. Approved the rollover of the borrowing line from Hua Nan Commercial Bank, Chengdong Branch.</li> </ol>

(XII) In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, if a director has a different opinion on a material resolution passed by the Board of Directors, and it is recorded or prepared as a written statement, the main content thereof: The directors had no comments on material resolutions passed by the Board of Directors.

- (XIII) A summary of resignations in 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 chairperson, general manager, head of accounting, head of finance, chief internal auditor, head of corporate governance, and chief R&D officer:

Resignation and dismissal of relevant personnel of the Company

April 30, 2024

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief internal auditor	Yu, Chia-Ling	December 2018	March 3, 2023	Personal career planning-
Chief Corporate Governance Officer	Lin, Yi-Ling	January 2023	November 6, 2023	In response to the Company's job reassignment
Chief internal auditor	Lu, Yung-Shun	February 2023	November 6, 2023	In response to the Company's job reassignment

V. Information on professional fees of attesting CPAs

Information on professional fees of attesting CPAs

Unit: NT\$ thousand

Accounting firm name	CPA name	Audit period	Audit fees	Non-audit fees	Total	Remarks
Deloitte Taiwan	Weng, Po-Jen	2023.01.01~ 2023.12.31	2,500	59	2,559	1. In response to the internal job rotation of Deloitte Taiwan, the independent auditors for the financial statements were changed in 2023Q1 from the original Hsueh, Chun-Min and Chih, Jui-Chuan to Weng, Po-Jen and Hsueh, Chun-Min. 2. Non-audit fees include miscellaneous expenses for preparation of financial statements, etc.
	Hsueh, Chun-Min					

Note: Where the company has changed the CPAs or the accounting firm, please indicate the audit periods separately, and explain the reason for the replacement in the Remarks field and disclose the audit and non-audit fees and other information. Non-audit fees should be listed and explain the services.

- (I) If audit fees for the change of accounting firms paid in the year is less than the previous year, the amount of the audit fees before and after the change and the reason shall be disclosed: None.
- (II) If the audit fees decreased by 10% or more on a year-to-year basis, the decreased amount, percentage and reason of the audit fees shall be disclosed: None.

VI. Information on replacement of CPAs:

In response to the internal job rotation of Deloitte Taiwan, the independent auditors for the financial statements were changed in 2023Q1 from the original Hsueh, Chun-Min and Chih, Jui-Chuan to Weng, Po-Jen and Hsueh, Chun-Min.

VII. The company's chairperson, general manager, or any managers in charge of finance or accounting matters that have in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm: None.

**2023 Independent Auditors' Independence and Competency Evaluation Report**

1. Evaluation explanation: Pursuant to Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company shall select professional, responsible, and independent auditors to audit the Company's financial position and internal control implementation, and also assess the independence and competency of the independent auditors regularly (at least once per year).
2. CPA Firm and CPA under assessment: Deloitte Taiwan/Weng, Po-Jen, CPA and Hsueh, Chun-Min, CPA of Deloitte & Touche
3. Evaluation items: Established in reference to the Norm of Professional Ethics for Certified Public Accountant No. 10 "Integrity, Objectivity, and Independence."

Evaluation Item	Evaluation results	Independence compliance
1. Does the CPAs have direct or material indirect financial interest in the Company?	No	Yes
2. Do the CPAs have any financing or guarantee arrangements with the Company or its directors?	No	Yes
3. Do the CPAs have a close business relationship or potential employment relationship with the Company?	No	Yes
4. Do the CPAs and members of the audit team serve as directors, managers, or positions that have significant influence on the audit work in the Company currently or in the last 2 years.	No	Yes
5. Do the CPAs provide non-audit services to the Company that may directly affect the audit work?	No	Yes
6. Do the CPAs act as brokers for the shares or other securities issued by the Company?	No	Yes
7. Do the CPAs act as the defenders of the Company or coordinate with other third parties on behalf of the Company in the conflicts?	No	Yes
8. Do the CPAs have family relations with the directors, managers or personnel of the Company who have a significant impact on the audits?	No	Yes
9. Whether the Company has not replaced CPAs for seven consecutive years, or whether it has received punishment or anything that undermines its independence.	No	Yes
10. Whether the CPAs have complied with the independence requirements under the Norm of Professional Ethics for Certified Public Accountant No. 10, and the Declaration of Independence issued by the independent auditors has been obtained?	Yes	Yes

4. Evaluation results:  
The CPAs appointed this year do not meet the circumstances described in the evaluation of independence, and the two independent auditors should be held satisfying the requirements about independence and competence sufficient to issue reliable financial reports.

VIII. Any transfer of equity interests and/or change in pledge of equity interests by a director, manager, or shareholder with a stake of more than 10% in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Changes in shareholding by directors, managers and major shareholders:

Title	Name	2023		2024 until April 15	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Chairman	Tsai, Cheng-Fung	0	0	0	0
Director	Tsai, Chi-Lung	0	0	0	0
Director	Lin, Cheng-Chien	0	0	0	0
Director	Lin, Tsy-Huan	248,000	0	0	0
Director	Lin, Jih-Cheng	0	0	0	0
Director	Lin Wu, Fang-Mei	0	0	0	0
Independent Director	Cheng, Chit-Man	0	0	0	0
Independent Director	Chin, Chang-Ming	0	0	0	0
Independent Director	Chou, Man-Chin	0	0	0	0
Finance Manager	Chen, Fu-Mei	0	0	0	0
Sales Manager	Lin, Tai-Yuan	0	0	0	0
Sales Manager	Lin, Chin-Shu	0	0	0	0
Plant Director	Hsu, Chin-Cheng	0	0	0	0
Vice Plant Director	Lin, Chen-Feng	0	0	0	0

Note: Shareholders holding 10% or more of the total shares of the Company should be indicated as major shareholders and listed separately.

- (II) Information on counterparties of transfers of equity interests of directors, managers and major shareholders that are related parties: None.
- (III) Information on counterparties of transfers of pledge of equity interests of directors, managers and major shareholders that are related parties: None.

IX. Relationship among the top ten shareholders

April 15, 2024

Name	Shares Held		Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Titles or names and relationships between the top ten shareholders that are parties or spouses or relatives within the second degree of kinship of another		Remarks
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Title/Name	Relationship	
Lin, Tsyr-Huan	6,305,327	10.33%	None	None	None	None	Lin, Tzu-Hung Lin, Cheng-Chien Lin, Tsyr-Hsi Yu, Hui-Ling	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Lin, Tzu-Hung	4,469,367	7.32%	35,499	0.06%	None	None	Lin, Tsyr-Huan Lin, Cheng-Chien Lin, Tsyr-Hsi Yu, Hui-Ling	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Lin, Tsyr-Hsi	4,457,788	7.30%	None	None	None	None	Lin, Tzu-Hung Lin, Cheng-Chien Lin, Tsyr-Huan Yu, Hui-Ling	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Lin, Cheng-Chien	4,205,821	6.89%	1,800,621	2.95%	None	None	Yu, Hui-Ling; Lin, Tzu-Hung Lin, Tsyr-Huan Lin, Tsyr-Hsi	Spouse Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Tsai, Cheng-Fung	3,492,490	5.72%	2,340,235	3.83%	None	None	Chen, Mei-Hui Tsai, Chi-Lung Tsai, Chia-Ling Tsai, Wan-Ling	Spouse Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Chen, Mei-Hui	2,340,235	3.83%	3,492,490	5.72%	None	None	Tsai, Cheng-Fung Tsai, Chi-Lung Tsai, Chia-Ling Tsai, Wan-Ling	Spouse Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Yu, Hui-Ling	1,800,621	2.95%	4,205,821	6.89%	None	None	Lin, Cheng-Chien Lin, Tzu-Hung Lin, Tsyr-Hsi and Lin, Lin, Tsyr-Huan	Spouse Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Tsai, Chi-Lung	1,432,527	2.35%	None	None	None	None	Tsai, Cheng-Fung Chen, Mei-Hui	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Tsai, Chia-Ling	1,312,476	2.15%	None	None	None	None	Tsai, Cheng-Fung Chen, Mei-Hui Tsai, Wan-Ling	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-
Tsai, Wan-Ling	1,183,598	1.94%	None	None	None	None	Tsai, Cheng-Fung Chen, Mei-Hui Tsai, Chia-Ling	Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship Familial relationship within the second degree of kinship	-

- X. The total number of shares and total equity stake held in any single enterprise by the company, its directors, managers, and any companies controlled either directly or indirectly by the company.

Unit: share; %

Investment business (Note)	The Company's investment		Investment by directors, managers, and companies controlled directly or indirectly		Comprehensive investment	
	Number of Shares	Percentage of shareholding	Number of Shares	Percentage of shareholding	Number of Shares	Percentage of shareholding
Sun Yang Global Co., Ltd.	5,000,000	100%	0	0%	5,000,000	100%

Note: Investments accounted for using the equity method.

## Four. Capital Raising Activities

### I. Company capital and shares

#### (I) Source of capital stock

##### 1. Process of capital stock formation

Unit: NT\$; shares

Year, month	Issue price (value per share)	Authorized capital stock		Paid-in capital		Remarks		
		Number of Shares	Amount	Number of shares	Amount	Source of capital stock	Offset by any property other than cash	Others
1997.07	10	43,000,000	430,000,000	34,303,500	343,035,000	Capital increase by surplus of NT\$31,185,000	--	Note 1
1998.07	10	40,000,000	400,000,000	40,000,000	400,000,000	Capital increase by surplus of NT\$56,125,780 and capital increase by employee bonus of NT\$839,220	--	Note 2
1999.06	10	48,000,000	480,000,000	48,000,000	480,000,000	Capital increase by surplus of NT\$80,000,000	--	Note 3
2000.05	10	57,600,000	576,000,000	57,600,000	576,000,000	Capital increase by surplus of NT\$96,000,000	--	Note 4
2001.06	10	61,056,000	610,560,000	61,056,000	610,560,000	Capital increase by surplus of NT\$34,560,000	--	Note 5

Note 1: Capital increase by surplus of NT\$31,185,000 in July 1997 Approval date and number by the Securities and Futures Commission: (1997)-Tai-Cai-Zheng-(I) No. 53126 dated July 10, 1997

Note 2: Capital increase by surplus of NT\$56,125,780 and capital increase by employee bonus of NT\$839,220 in July 1998 Approval date and number by the Securities and Futures Commission: (1998)-Tai-Cai-Zheng-(I) No. 58653 dated July 10, 1998

Note 3: Capital increase by surplus of NT\$80,000,000 in June 1999 Approval date and number by the Securities and Futures Commission: (1999)-Tai-Cai-Zheng-(I) No. 56957 dated June 23, 1999

Note 4: Capital increase by surplus of NT\$96,000,000 in May 2000 Approval date and number by the Securities and Futures Commission: (2000)-Tai-Cai-Zheng-(I) No. 45441 dated May 25, 2000

Note 5: Capital increase by surplus of NT\$34,560,000 in June 2001 Approval date and number by the Securities and Futures Commission: (2001)-Tai-Cai-Zheng-(I) No. 138979 dated June 19, 2001

2. Types of shares issued

December 31, 2023 Unit: share

Type of shares	Authorized capital stock					Remarks
	Outstanding shares			Unissued shares	Total	
	TPEX listed shares	Non-TPEX listed shares	Total			
Registered common stock	61,056,000	0	61,056,000	0	61,056,000	

Note: Par value of NT\$10 per share

3. Shelf registration method information: Not applicable.

(II) Shareholder structure

April 15, 2024 Unit: person; share; %

Shareholder structure	Government agency	Financial institution	Other institutional shareholders	Individual	Foreign institutions and foreigners	Total
Number of shareholders	-	-	9	7,076	9	7,094
Shareholding	-	-	564,000	60,000,828	491,172	61,056,000
Percentage of shareholding	-	-	0.92%	98.28%	0.8%	100.00%

(III) Dispersion of equity ownership

1. Common stock

April 15, 2024 Unit: share; %

Shareholding classification	Number of shareholders	Shareholding	Percentage of shareholding
1 to 999	3,809	646,541	1.06%
1,000 to 5,000	2,529	5,112,649	8.37%
5,001 to 10,000	358	2,915,686	4.78%
10,001 to 15,000	102	1,329,697	2.18%
15,001 to 20,000	81	1,482,133	2.42%
20,001 to 30,000	56	1,432,525	2.35%
30,001 to 40,000	49	1,732,182	2.84%
40,001 to 50,000	21	939,660	1.54%
50,001 to 100,000	43	3,214,435	5.26%
100,001 to 200,000	19	2,590,422	4.24%
200,001 to 400,000	9	2,568,292	4.21%
400,001 to 600,000	3	1,390,957	2.28%
600,001 to 800,000	2	1,300,000	2.13%
800,001 to 1,000,000	0	-	-
Over 1,000,001	13	34,400,821	56.34%
Total	7,094	61,056,000	100.00%

2. Preferred stock: None.



## (IV) List of major shareholders

April 15, 2024

Name of major shareholder	Shares	Shareholding	Percentage of shareholding
Lin, Tsyr-Huan		6,305,327	10.33%
Lin, Tsyr-Hung		4,469,367	7.32%
Lin, Tsyr-Hsi		4,457,788	7.30%
Lin, Cheng-Chien		4,205,821	6.89%
Tsai, Cheng-Fung		3,492,490	5.72%
Chen, Mei-Hui		2,340,235	3.83%
Yu, Hui-Ling		1,800,621	2.95%
Tsai, Chi-Lung		1,432,527	2.35%
Tsai, Chia-Ling		1,312,476	2.15%
Tsai, Wan-Ling		1,183,598	1.94%

## (V) Share prices, net worth per share, earnings per share, dividends per share, and related information in the most recent 2 fiscal years

Item	Year		2022	2023	Current year up to March 31, 2024
Market value per share	Maximum		19.3	18.75	18.10
	Minimum		14.0	14.65	16.00
	Average		16.24	16.67	17.25
Net value per share	Before distribution		17.43	17.26	17.31
	After distribution		16.93	16.76	--
Earnings per share (EPS)	Weighted average number of shares		61,056,000	61,056,000	61,056,000
	Earnings per share (EPS)		-0.31	0.30	0.05
Dividend per share	Cash dividends		0.5	0.5	--
	Stock grants	Stock dividends from retained earnings	--	--	--
		Stock dividends from capital surplus	--	--	--
	Accumulated unpaid dividends		--	--	--
Return on investment analysis	P/E ratio (Note 5)		-52.38	55.56	--
	P/D ratio (Note 6)		32.48	33.34	--
	Cash dividend yield (Note 7)		3.08%	3.00%	--

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: The table lists the highest and lowest market price of common stocks for each year, and the annual average market price was calculated in accordance with the annual trading value and volume of each year.

Note 2: Please fill in the number of shares issued at the end of the year and the distribution according to the resolution by the Board of Directors or general meeting of shareholders the following year.

Note 3: If there is a retroactive adjustment from distribution of bonus shares, the pre-adjustment and adjusted surplus per share shall be listed.

Note 4: Dividends that have not been issued in the current year are accrued to the issuer of the annual surplus; the accumulated undistributed dividends of the current year should be disclosed separately.

Note 5: P/E ratio = Average closing price per share in the current year/earnings per share.

Note 6: P/D ratio = Average closing price per share in the current year/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share in the current year.

Note 8: The data of net worth per share and earnings per share shall be based on the most recent quarter numbers audited by CPAs as of the publication date of the annual report; the current year's data as of the publication date of the annual report shall be filled in the remaining columns.

(VI) The Company's dividend policy and implementation status:

1. Dividend policy

In accordance with the Company's Articles of Incorporation, earnings for the year, if any, shall be distributed according to the following order: ① Tax payment; ② 10% of the earnings shall be set aside as legal reserve, except when the accumulated legal reserve has reached the Company's paid-in capital; ③ Other special reserve set aside or reserved required by the law and regulations or competent authorities; ④ For the balance and accumulated undistributed earnings, the Board of Directors shall propose a motion for earnings distribution, and it shall be submitted to the shareholders' meeting for adoption to distribute the shareholder bonus.

The Company adopts a fixed and residual dividend policy for sustainable operation, sustainable growth, and long-term financial planning based on the overall environment and characteristics of industrial development. The Board of Directors allocates 1%~ over 10% of the distributable earnings as dividends each year, depending on the Company's operating conditions. Dividends are distributed in the form of cash dividends or stock dividends. The distribution of cash dividends, equivalent to no less than 10% of the earnings, shall be considered as the first priority. Notwithstanding, in consideration of the Company's funding need, domestic and international competition and capital budget for the current year, the dividends may be distributed in the form of stock dividends. The ratio of cash dividends and stock dividends shall be adjusted proportionally subject to the changes in the internal and external business environment, and the Company's funds shall be utilized flexibly, taking into account shareholders' interests, balanced dividends, and the Company's long-term financial planning concurrently.

2. Proposed distribution of dividends at the shareholders' meeting

- (1) The Company's 2023 earnings distribution plan has been drafted by the Board of Directors as follows in accordance with the Company Act and the Articles of Incorporation of the Company.
- (2) The Company's net profit after tax in 2023 was NT\$18,378,114. In accordance with the Company's Articles of Incorporation, a legal reserve of NT\$2,066,390 was set aside; together with the undistributed earnings after adjustment at the beginning of the period of NT\$63,356,207.88, the distributable earnings at the end of the period are NT\$79,667,931.88, and the proposed dividend to shareholders is NT\$30,528,000. Each share will be distributed at NT\$0.5, and the amounts will be rounded down. For respective amounts less than NT\$1, the Chairman shall be authorized to contact a specific person to take them over.
- (3) After this proposal is approved by the general shareholders' meeting, the Board of Directors is authorized to determine the ex-dividend date and other relevant matters.
- (4) If the Company's share capital changes and the dividend payout ratio changes due to the number of outstanding shares, the shareholders' meeting shall authorize the Chairman to make dividend adjustments in proportion to the number of outstanding shares on the ex-dividend date.

Yong Shun Chemical Co., Ltd.  
2023 Earnings Distribution Plan

		Unit: In New Taiwan Dollars
Undistributed Retained Earnings at the Beginning of 2023		\$61,070,422.88
Add: Remeasurement of the Defined Benefit Plan Recognized in Retained Earnings		2,285,785.00
2023 Undistributed Retained Earnings After Adjustment		\$63,356,207.88
Plus: Net income after tax	18,378,114.00	
Less: Appropriation of 10% of legal reserve	(2,066,390.00)	
2023 Distributable Earnings		\$79,667,931.88
Dividend to Shareholders - Cash Dividend of NT\$0.5 per share	(30,528,000.00)	
Undistributed Retained Earnings at the end of 2023		\$49,139,931.88

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

Not applicable, as there were no stock dividends or stock grants in this year.

(VIII) Remuneration to employees and directors

1. The percentages or ranges of employees' and directors' remuneration, as set forth in the Company's Articles of Incorporation:
 

If the company has yearly profit, it should first set aside 1% to 3% as employees' remuneration and no more than 4% as directors' remuneration. However, if the Company still has a cumulative loss (including adjustment of the undistributed earnings amount) and makes a profit in the current year, it should first make up for the loss, and then appropriate from the balance the directors' remuneration in cash according to the proportion in the preceding paragraph, and the employees' remuneration is to be distributed in stock or cash. The distribution shall be implemented by the resolution of the Board meeting with the presence of more than two-thirds of the directors and the approval by more than half of the directors present, and the resolution shall be reported to the shareholders' meeting.
2. The basis for estimating the amount of employees' and directors' remuneration, for calculating the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
 

The Company's amount of remuneration to employees and directors is not different from the estimated amounts recognized in the year.
3. Status of distribution of remuneration approved by the Board of Directors:
  - (1) Amount of remuneration to employees and remuneration to directors distributed in cash or stocks: If there is any discrepancy with the estimated figure for the fiscal year and the expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.
 

The Board of Directors meeting held on March 11, 2024, approved the motion for the 2023 earnings distribution proposal, resolving to distribute NT\$428,169 to employees and NT\$646,054 to directors as the remuneration. The remuneration to employees is distributed in cash based on the average distribution policy. Each employee is to be paid approximately NT\$6,209 in cash.
  - (2) The amount of any employee compensation 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 company only financial statements or individual financial statements for the current period and total employee compensation.
 

Not applicable, as the Company did not distribute remuneration to employees in the form of stock in 2023.
4. The actual distribution of employees' and directors' remuneration for the previous fiscal year (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 employees' and directors' remuneration, the discrepancy, cause, and how it is treated.
 

Not applicable, as the Company concluded the accounts at a loss after tax and no remuneration to employees and directors was distributed accordingly in 2022.

(IX) Status of the company repurchasing its own shares:

The Company did not directly repurchase its own shares.

- II. Issuance of corporate bonds: None.
- III. Issuance of preferred shares: None.
- IV. Issuance of global depository receipts: None.
- V. Issuance of employee share subscription warrants: None.
- VI. Issuance of new restricted employee shares: None.
- VII. Issuance of new shares in connection with mergers and acquisitions or with acquisitions of shares of other companies: None.
- VIII. Implementation of the company's capital allocation plans and benefits shown:
  - (I) Description of the plans: For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: This did not occur in the Company.
  - (II) Status of implementation: Not applicable.

## Five. Overview of Operations

### I. Description of the business

#### (I) Scope of business:

##### 1. The company's major lines of business

- (1) Manufacturing of various paints and raw materials of synthetic resin for paints
- (2) Manufacturing and sale of multi-component resins
- (3) Manufacturing and sale of special coating resins
- (4) Manufacturing of various Binder fixing agents for printed fabrics and various adhesives for bamboo and wood
- (5) Manufacturing of fiber auxiliaries
- (6) Manufacturing, processing and trading of various reinforced plastic products
- (7) Manufacturing of auxiliary raw materials referred to in the preceding paragraphs
- (8) Purchase of raw materials for self-use, and import and export of finished products related to the businesses referred to in the preceding paragraphs

##### 2. Main products and their operating weight

Major product	2023 operating weight
Unsaturated Polyester Resin	19.05%
Polyester Polyol Resin	41.07%
Polyurethane Granules (hot melt adhesive and shoe adhesive)	28.42%

##### 3. Current products and services

- (1) Unsaturated Polyester Resin
- (2) Polyester Polyol Resin
- (3) Acid Resistant Coating
- (4) Chemical Tank
- (5) Polyurethane Pellets (Hot Melt Adhesive and Shoe Adhesive)

##### 4. New products planned for development

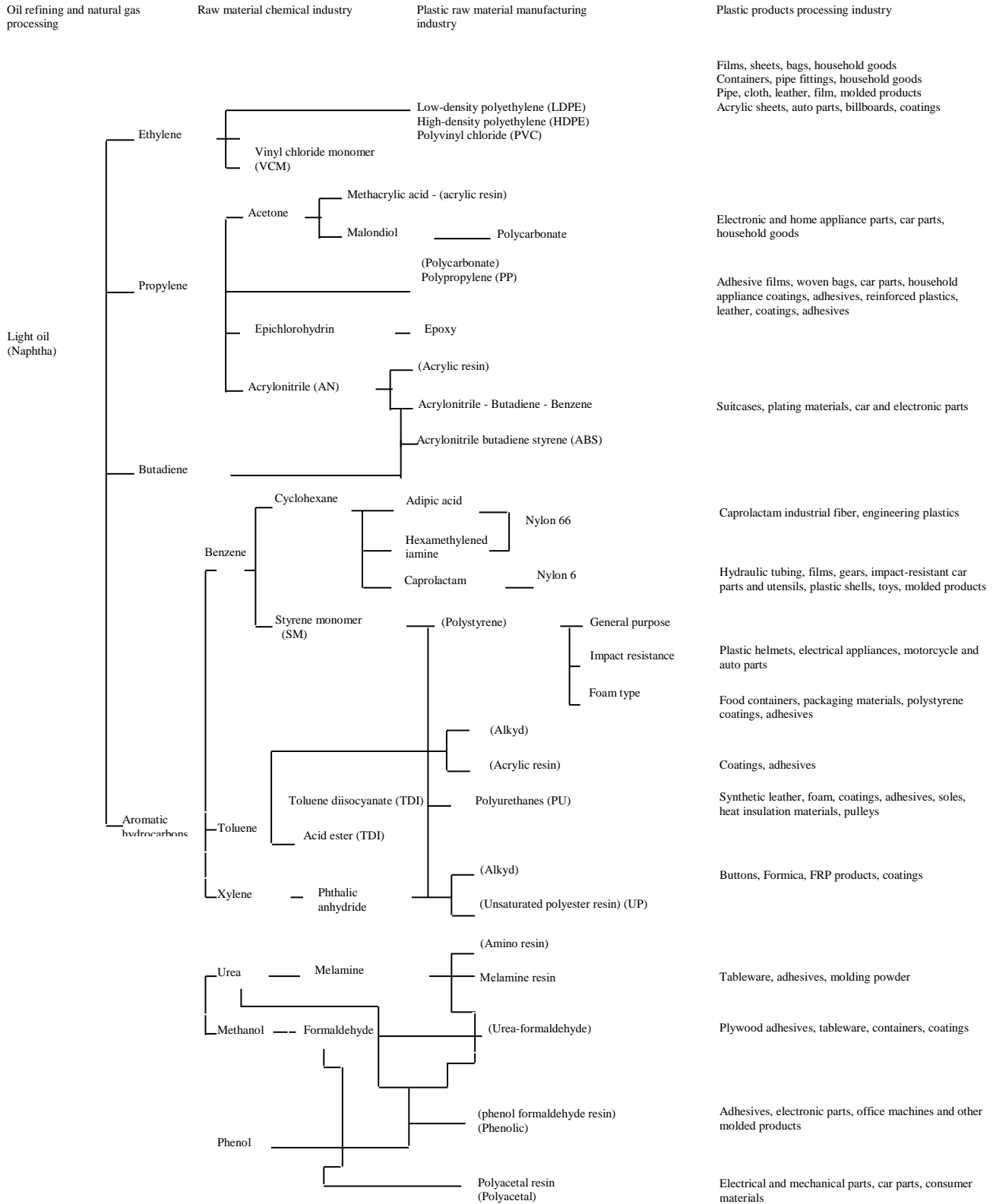
###### The Company's future R&D direction:

- (1) Unsaturated polyester resin:
  1. Development and application of solvent-free unsaturated polyester resin.
  2. The application of bio-based materials in unsaturated polyester resin.
- (2) Polyester polyol resin:
  1. Development and application of bio-based alkyd resin.
  2. Development and application of water-based polyurethane.
- (3) FRP products: The development of composite materials toward energy saving, environmental protection, light weight, and large-scale, such as automotive, yacht and other parts and components related to the supply of materials.
- (4) Polyurethane pellets (hot melt adhesive and shoe adhesive): Since the EU bans PVC products, most manufacturers have switched to environmentally friendly thermoplastic polyester rubber particles (TPU) instead of PVC. The products involved cover shoe materials, automotive parts and components, pipe fittings and other products, especially the materials used in the biomedical field, which is one of the key items in the latest R&D.

## (II) Overview of the industry

### 1. Links between the upstream, midstream, and downstream segments of the industry supply chain

#### Plastic industry structural chart



## 2. Development trends and competition for the company's products

The market demand in 2023 rose again following the global economic recovery, since the COVID-19 epidemic was passing. Under the leadership of Taiwan's shield, TSMC, the sites of 2nm and 1nm fabs and high-end wafer packaging factories have been confirmed successively. The estimated total investment amounts to NT\$4.6 trillion, which is bound to drive the expansion of related satellite plants and industries, and facilitate Taiwan's economic development and prosperity.

### (1) Unsaturated Polyester Resin

Unsaturated polyester resins are widely applied in the construction industry as raw materials for the manufacture of various building materials, rainwater storage tanks and sewage treatment plants, pipelines and storage tanks in semi-conductor factories, manufacturing of ships and boats, handicraft products, etc. They are also applied in electronics-related industries. The Company will develop new applications and new domains proactively. With the significant investment and construction of domestic semi-conductor factories, the demand in various related industries has increased, and the demand for unsaturated polyester resins is expected to continue booming. The Company's unsaturated polyester resin products made through the process inheriting the exquisite technique of old masters, and the high-quality products produced are widely recognized by customers with strong competitiveness in the industry. The Company continues to develop new biodegradable products, develop and apply high-temperature products, and develop quartz resins to enhance its market and product competitiveness.

### (2) Polyester Polyol Resin

Polyester polyol resins can be self-oxidized and dried at room temperature. It owns the characteristics, including good self-drying performance, good softness, good gloss, color retention, weather resistance, and fast drying speed. Polyester polyol resin coatings can be widely applied to the coating of synthetic leather, footwear, textiles, mechanical and electrical products, automobiles, tractors, and large-size buildings. The market development spans a variety of industries. The Company's products are mainly applied to synthetic peels, adhesives, and coatings. One of the products is excellent in nature. It is transparent, non-yellowing, penetrating, and has strong adhesion and, therefore, can be used as a primer for large-scale construction, which may derive good competitiveness. The Company's polyester polyol resins are mainly used in the synthetic leather factory, textile and footwear markets. With the semiconductor manufacturers' increasing investment in Taiwan factory construction projects, the demand for anti-rust, anti-corrosion and high-temperature resistant products for acid and alkali resistant coatings of large-size factory buildings will continue to increase. In 2023, due to the weak global economy and customers' low willingness to purchase goods, the sales in 2023 decreased from 2022.

### (3) Polyurethane Pellets (Hot Melt Adhesive and Shoe Adhesive)

Polyurethane pellets refer to a kind of polymer elastomer, which have the same elastic properties as rubber. They have many excellent physical properties, such as abrasion resistance, cold resistance, flexure resistance, high strength, high recovery, and diversified processing methods. The products are widely applied in the manufacture of daily necessities, and the market development spans various industries. The Company's main sales markets focus on the textile and footwear industries. This year when the Olympic Games will be organized is expected to drive the demand for footwear, textiles and sports equipment. The Company has accumulated nearly 60 years' experience in R&D and improvement of production technology, and developed product specifications suitable for various conditions, which may derive considerable competitiveness. In 2023, due to the weak global economy and customers' low willingness to purchase goods, the sales of polyurethane pellet market decreased from 2022.

## (III) Overview of technologies and research and development

1. Research and development expenditures in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: NT\$5,568 thousand.
2. Unsaturated Polyester Resin: The Company mainly develop the unsaturated polyester resin with the characteristics, such as recyclability, low volatility solvent, good heat resistance and biomass degradation characteristics. It owns the characteristics, such as biodegradable properties and mechanical and physical properties similar to those owned by the general resins. Any unsaturated polyester resin derived from biomass or with biodegradable function, its main advantages reside in the renewability, low carbon footprint and biodegradable compost. Therefore, it satisfies the purpose of circular economy and reduces the spread of harmful substances.
3. Polyester polyol resin: Bio-based plastics and green energy polymer materials have become an inevitable trend due to worldwide environmental protection requirements. Therefore, polyester polyol resin is mainly developed with low environmental pollution. We also use green polymer materials to produce high value-added products, such as polyester polyol resin with special functions or high quality adhesives, synthetic leather, elastomers, and other finished products.
4. FRP products: The Company develop higher value-added composite materials to meet the needs of environmental protection and energy conservation projects, such as semiconductor chemical storage tanks, desalination plant pipelines, shipbuilding and wind power generation and other related projects material supply.

The research and development efforts focus on the development and application of the characteristics including transparency, high hardness and chemical resistance.

5. Polyurethane Pellets (Hot Melt Adhesive and Shoe Adhesive): The Company develop low-temperature processing hot-melt plastics for textile, footwear and industrial purposes, and development of TPU materials with the characteristics including waterproof and moisture permeable, high temperature resistance, impact resistance, low compression deformation ratio and high elastic recovery.

(IV) Long- and short-term business development plans

1. Short-term business plans

(1) Production strategy

- A. Monitor changes in raw materials in all aspects and stabilize the source and price of raw materials.
- B. Continue to de-bottleneck related processes, reduce production costs, and improve product competitiveness.
- C. Plan to implement smart manufacturing to improve output efficiency and reduce management costs.

(2) Sales strategies

- A. Increase the utilization rate of raw materials and reduce the procurement cost of raw materials to promote the competitiveness in quotation; classify products into different categories to make different quotations for different markets to strive for the largest order volume.
  - B. Proactively develop potential customers and international development strategies, strive to cooperate with leading manufacturers to develop new products or new value-added products, and keep abreast of market trends to provide more professional and quality services to meet customer needs, thereby expanding the market share.
- (3) The research and development strategy helps the Company keep abreast of future product development trends at any time, actively participate in customers' early product research and development plans, and responds to customers' product needs in advance to seize the market opportunities.

2. Long-term business plans

(1) Production strategy

- A. Establish long-term partnership with customers, take the initiative to assist in the development and improvement of products, solve problems encountered, and achieve mutual co-existence and common prosperity.
- B. Continue to upgrade and refine product process technology, reduce defective rate and production cost, develop high value-added products, and maintain competitive advantages.

(2) Sales strategies

- A. Proactively develop long-term orders from key customers, stabilize sales growth, and seize opportunities to expand cooperation on new products to increase market share.
  - B. Strengthen cooperation with leading international manufacturers and maintain the Company's status as an important supplier and strategic partner in Asia.
- (3) R&D strategy: The Company will cooperate with international leading manufacturers or academic institutions to acquire new information and new technology experience, expand the key professional talents, and enhance R&D strength.

## II. Analysis of the market and the production and marketing situation

### (I) Analysis of the market

#### 1. Sales area of major products

The Company's products are primarily sold domestically, and overseas secondarily. The overseas markets are mainly located in Northeast Asia, Southeast Asia, and few districts in China and Japan.

#### 2. Market share

Major product	2023 production value	Projected market share
Unsaturated Polyester Resin	NT\$125,012 thousand	5~7%
Polyester Polyol Resin	NT\$386,014 thousand	10~15%
Polyurethane Pellets (hot melt adhesive and shoe adhesive)	NT\$202,358 thousand	5~10%

#### 3. Supply and demand conditions for the market in the future and market growth potential

Synthetic resins can be seen everywhere in our daily life. Therefore, the product categories are endless, and our customers cover all walks of life. The products are detailed as follows:

- (1) Unsaturated polyester resin: Unsaturated polyester resins are mainly used for button, polycarbonate processing, and general FRP products, etc., and are supplied in the vicinity of domestic factories of manufacturers. With the global wafer OEM market share reaching 61% (2023Q4), the leading semiconductor manufacturer, TSMC, expands its investment and establishment of factories in Taiwan, expecting to drive a new wave of economic prosperity in Taiwan. Synthetic resins are closely related to daily necessities, and all walks of life will benefit therefrom. The demand is expected to increase. The other products, such as local FRP boats, artificial marble building materials, auto soil fill, and high-end wood coatings, are also expected to grow. Meanwhile, the growth of soft resins, transparent resins, and acid-resistant coatings is also expectable.
- (2) Polyester polyol resin: Polyester polyol resins are mainly used in PU and other related industries. The Company is currently developing bio-based or solvent-free products, such as water-based synthetic skin resin, water-based adhesive grade, and solvent-free PU products for related purposes.
- (3) FRP products: Used for marine accessories, air pollution prevention and wind power generation and other related purposes. As the international leading semi-conductor manufacturers have successively increased their factory sites in Taiwan, the order inquiries for barrels and pipes have increased continuously since 2023Q4, and the sales volume is expected to grow in 2024.
- (4) Polyurethane pellets (hot melt adhesive and shoe adhesive): used in the footwear, textile, and industrial applications. The 2024 Olympic Games to be held around the end of July 2024 is expected to drive a wave of strong demand, such as footwear, textiles, and sports equipment, which will benefit therefrom. The Company's sales volume is expected to grow in 2024.

#### 4. Competitive niches and favorable and unfavorable factors for future development and countermeasures

##### (1) Favorable factors

###### A. Product are diverse and widely used

As synthetic resins are widely applied in various industries in the midstream and downstream sectors of the petrochemicals, in addition to integrating key technologies for common development, the Company also develop multiple new application products to give many industries more room for development, accelerate structural adjustment and transformation, and diversify the structured impact posed by any single industry's downturn.

###### B. Complete mid-stream and upstream raw materials industry chain

In consideration of the complete midstream and upstream products in Taiwan's petrochemical industry, 70% of the Company's raw materials are domestically sourced. The supply is immediate and price fluctuation is lower than that in China. The price is also lower than that in Southeast Asia. Therefore, the price of the Company's products appears to be relatively competitive.

###### C. Cost-effective products provided to customers

Due to the high flexibility of the manufacturing process, the Company's products can satisfy customers' need for various and small amount of products, enhance customers' competitiveness, increase customers' profits, and help form long-term business partnerships with customers.

###### D. High recognition of the Company's brand

The quality of our products is stable, and the Company upholds honest transactions. Therefore, the Company is widely praised and recognized positively by customers.

##### (2) Unfavorable factors and countermeasures

###### A. Continued global inflation and soaring freight costs due to the obstruction of the Red Sea shipping and the extension of voyages.

It has been the third year since outbreak of the Russia-Ukraine War. Meanwhile, the outbreak of the Israel-Hamas War in October 2023 continued to affect the prices of grain, natural gas and oil. The extended voyage resulted in the increase in freight costs between Asia and Europe. Under the continuous impact posed by inflation, the consumer demand become sluggish and consumers are



unwilling to purchase goods. The destocking of downstream consumer products is continued. The overall sales volume and gross profit of synthetic resins have not improved. The inventory costs of raw materials and finished goods are still under pressure.

Countermeasures: As the semi-conductor manufacturers have successively confirmed the expansion of investment and factory sites, it is expected to drive a wave of demand in the related industries domestically. In addition to verifying the information of major investments at home and abroad proactively and paying close attention to the changes in the price of raw materials, the Company has also strengthened its control over the inventory management of raw materials and finished goods, and implemented control over defective products, in order to provide competitive prices to its sales departments.

B. China's economy continues to face more severe challenges, and peers in the same industry have cut prices for export to Taiwan and Southeast Asia due to excess capacity.

The US-China trade dispute continues to expand and thereby restricts the export of products made in China to the United States. Taiwanese and Chinese companies continue to relocate to Southeast Asia and South Asia to set up factories and engage in export sales, in order to strive for markets. The competition in the synthetic resin industry has become increasingly fierce.

Countermeasures: Proactively expand the market in Northeast Asia and assess the feasibility of setting up overseas factories. Accelerate the development of special-purpose products and low-carbon products, etc.

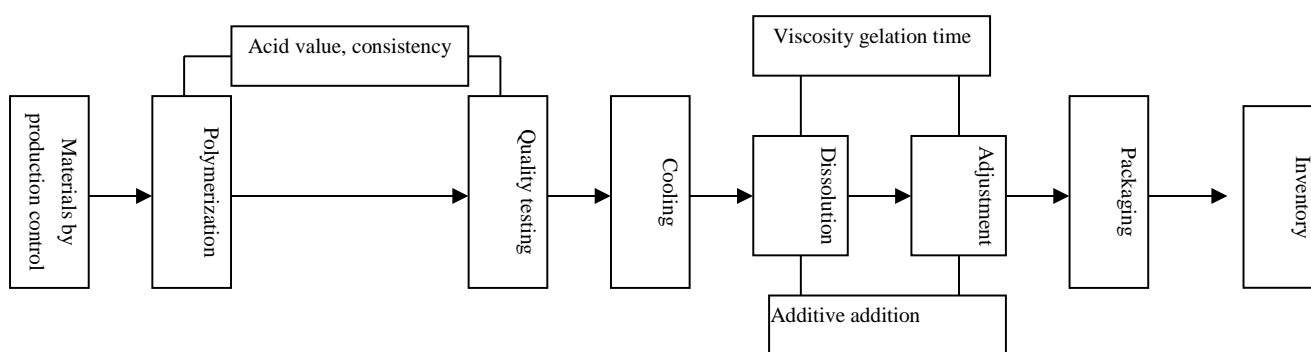
## (II) Usage and manufacturing processes of the main products

### 1. Important usage for the main products

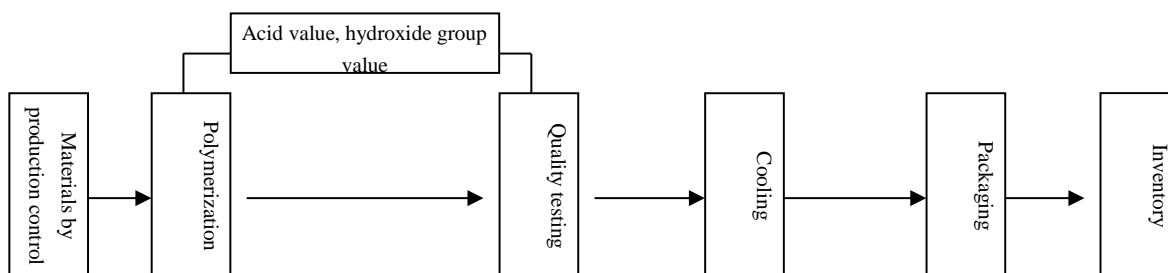
Product name	Important usage
Unsaturated polyester resin	Can be used in FRP products (e.g., wave boards, bathtubs, barrel tanks, boats, car parts), injection molding (e.g., artificial marble, artistic dolls), coatings (e.g., decoration board patch, coatings), etc.
Polyester Polyol Resin	Can be used in foams, coatings, adhesives, synthetic leather, elastomers, thermoplastic resins, spandex and waterproof materials, etc.
Polyurethane Pellets (Hot melt adhesive and shoe adhesive)	Can be used in textiles, footwear, coatings, adhesives, synthetic leather, elastomers and waterproof materials, etc.

### 2. Manufacturing processes of the main products

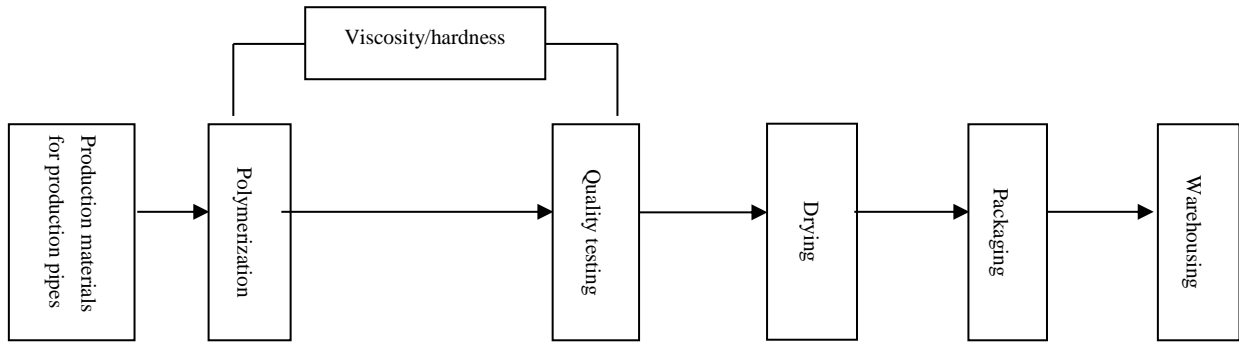
#### (1) Manufacturing process of unsaturated polyester resin



#### (2) Manufacturing process of polyester polyol resin



(3) Manufacturing process of polyurethane granules (hot melt adhesive and shoe adhesive)



(III) Supply situation of the major raw materials

Raw material	Main suppliers	Supply situation
Adipic acid (AA)	Japan, Korea	Good
Ethylene glycol (EG)	Taiwan	Good
Propylene glycol (PG)	U.S.A.	Good
Styrene monomer (SM)	Taiwan	Good
Phthalic anhydride (PA)	Taiwan	Good
Butylene glycol (1.4BG)	Taiwan, U.S.A.	Good
Maleic anhydride (MA)	Taiwan	Good
Fiberglass (FB)	Taiwan	Good
Methylene diphenyl diisocyanate (MDI)	Japan, Korea	Good

## (IV) List of main procurement and sales clients in the most recent 2 fiscal years

## 1. Information of major procurement clients in the most recent 2 fiscal years

Unit: NT\$ thousands

Item	2022				2023				March 31, 2024			
	Name	Amount	As percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the current year up to the previous quarter (%)	Relationship with the issuer
1	Company A	175,361	15.46	None	Company A	111,548	14.51	None	Company A	28,925	16.35	None
2	Company B	173,673	15.31	None	Company B	106,796	13.89	None	Company C	21,082	11.92	None
3	Company C	150,934	13.31	None	Company C	61,925	8.06	None	Company D	17,300	9.78	None
	Others	634,266	55.92	None	Others	488,462	63.54	None	Others	109,588	61.95	None
	Net sales	1,134,234	100.00		Net sales	768,731	100.00		Net sales	176,895	100.00	

Company A is a domestic manufacturer of PU adhesives that are mainly exported to China and Southeast Asia. Company B is a TWSE-listed company that manufactures and sells synthetic leather products. Company C manufactures and sells synthetic leather products for China. Company D is a TWSE-listed company that manufactures resins and plastic products.

## 2. Information of major suppliers in the most recent 2 fiscal years

Unit: NT\$ thousands

Item	2022				2023				March 31, 2024			
	Name	Amount	As percentage of annual net procurement (%)	Relationship with the issuer	Name	Amount	As percentage of annual net procurement (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the current year up to the previous quarter (%)	Relationship with the issuer
1	Supplier A	322,043	38.44	None	Supplier A	180,977	39.29	None	Supplier A	46,141	42.89	None
2	Supplier B	193,934	23.15	None	Supplier B	115,557	25.09	None	Supplier B	29,542	27.46	None
3	Supplier C	119,981	14.32	None	Supplier D	41,582	9.03	None	Supplier E	10,877	10.11	None
	Others	201,827	24.09	None	Others	122,478	26.59	None	Others	21,024	19.54	None
	Net procurement	837,785	100.00		Net procurement	460,594	100.00		Net procurement	107,584	100.00	

Supplier A is a major foreign manufacturer of AA; Supplier B and Supplier C are major manufacturers and distributors in Taiwan of midstream raw materials including 1.4BG and PG; Supplier D is a major domestic manufacturer of midstream raw materials for PA.MA; Supplier E is a major domestic manufacturer of midstream raw materials for SM. These raw materials are the major raw materials for resin production, accounting for more than 70% of the total costs. Given this, the total annual procurement amount mostly exceed 10%.

## (V) Production volume in the most recent 2 fiscal years

Unit: NT\$ thousand/tons

Main product	Year	2022			2023		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Unsaturated Polyester Resin		28,000	2,725	154,904	28,000	2,424	125,012
Polyester Polyol Resin		30,000	7,227	678,384	30,000	5,391	386,014
Polyurethane Pellets (hot melt adhesive and shoe adhesive)		5,400	2,424	316,499	5,400	1,664	202,358
Total		63,400	12,376	1,149,787	63,400	9,479	713,384

## (VI) Sales volume in the most recent 2 fiscal years

Unit: NT\$ thousand/tons

Main product	Year	2022				2023			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Unsaturated Polyester Resin		1,811	107,752	820	53,363	1,568	91,503	809	54,904
Polyester Polyol Resin		4,964	482,003	557	52,612	3,779	285,318	365	30,398
Polyurethane Pellets (hot melt adhesive and shoe adhesive)		1,705	234,236	817	107,133	1,204	149,489	533	68,959
Total		8,480	823,991	2,194	213,108	6,551	526,310	1,707	154,261

## III. The number of employees employed in the most recent 2 fiscal years, and during the current fiscal year up to the date of publication of the annual report

Year		2022	2023	April 30, 2024
Number of employees	Sales and management personnel	36	38	37
	Direct personnel	95	96	95
	R&D personnel	9	9	8
	Total	140	143	140
Average age		46.08	46.10	45.89
Average years of service		11.7	11.79	11.85
Education level	Doctoral degree	2.14%	2.10%	2.14%
	Master's Degree	7.86%	6.29%	6.43%
	College	35.72%	39.86%	39.29%
	Senior high school	47.14%	44.76%	45.00%
	Below senior high school	7.14%	6.99%	7.14%

Note: The above personnel includes the foreign workers

#### IV. Disbursements for environmental protection

- (I) Any losses suffered by the company in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

Disposition date	Disposition order number	Provisions of violation of laws and regulations	Cause of violation	Amount of fine (Unit: NT\$)	Improvement measures
March 15, 2023	Fu-Xiao-Wei-Zi No. 1120068360	Article 15 of the Fire Services Act	The location of the outdoor storage place for public dangerous goods did not meet the requirements.	32,000	Relevant units have been instructed to strengthen employee education and training and make improvements as soon as possible.
August 15, 2023	Fu-Huan-Ji-Zi No. 1120226316	Paragraph 2, Article 24 of the Air Pollution Control Act	The error of the pressure drop meter indication value of the scrubber is more than 10% of the allowable operating value.	100,000	Relevant units were instructed to find out the cause of the failure, and the manufacturer was notified to conduct inspection.
November 2, 2023	Fu-Huan-Ji-Zi No. 1120299321	Paragraph 2, Article 24 of the Air Pollution Control Act	The error of the pressure drop meter indication value of the scrubber is more than 10% of the allowable operating value.	160,000	After the manufacturer identified the cause of the failure, the problem was eliminated and the device operated normally.
November 30, 2023	Fu-Xiao-Yu-Zi No. 1120335624	Paragraph 1, Article 6 of the Fire Services Act	Yonggu Plant - Inadequate fire safety facilities and equipment at various locations	20,000	Relevant units were instructed to inventory the deficiencies in the registration, and a contractor was commissioned to install the equipment according to the regulations.
November 30, 2023	Fu-Xiao-Yu-Zi No. 1120335567	Paragraph 1, Article 6 of the Fire Services Act	Inadequate fire safety facilities and equipment at various locations	20,000	Relevant units were instructed to perform inventory counting, and a contractor was commissioned to install the equipment according to the regulations.
January 19, 2024	Fu-Huan-Kong-Zi No. 1130017779	Paragraph 2, Article 24 of the Air Pollution Control Act	Use of pollution source items not listed in the operation permit.	240,000	Relevant units have been instructed to strengthen employee education and training and make improvements as soon as possible.
March 7, 2024	Fu-Xiao-Wei-Zi No. 1130063553	Article 15 of the Fire Services Act	Yonggu Plant - The improvement items listed in Table 5 in the Management Regulations were not improved.	22,000	Relevant units have been instructed to strengthen employee education and training and make improvements as soon as possible.
March 7, 2024	Fu-Xiao-Wei-Zi No. 1130063536	Article 15 of the Fire Services Act	The location of the outdoor storage place for public dangerous goods did not meet the requirements.	32,000	Relevant units have been instructed to strengthen employee education and training and make improvements as soon as possible.

- (II) Disclosure of future action plans (including improvement measures) and an estimate of possible expenses that could be incurred currently and in the future (including measures being or to be taken for losses, penalties and estimated compensation). If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: As described above.

## V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

### 1. Employee welfare measures

The Company formed an Employee Welfare Committee on October 20, 1984, and regularly contributes to the welfare fund. The benefit plans are as follows:

- (1) Employee birthday parties.
- (2) Gifts on new year and festivals.
- (3) Establishment of funds for weddings and funerals for employees.
- (4) Establishment of reading and leisure facilities.
- (5) Employee trips each year.
- (6) Year-end dinner and party.
- (7) Labor and health insurance provided as required by the government; employees are also covered with group accident insurance, occupational hazard insurance and term life insurance.
- (8) Establishment of on-the-job scholarships for employees and scholarships for their children to encourage them to receive further education and their children to work hard at school.
- (9) A regular health examination is provided for employees, enabling them to better grasp their health situation.
- (10) To allow employees to care for their families after work, the Company makes every effort to help them work more efficiently without worrying about their family, thus improving production efficiency. From July 1, 2015, in addition to providing 7 days of leave as required by the Act of Gender Equality in Employment, we also provide employees with paid 3-day family care leave. This leave is not included in the calculation of personal leave.

- (11) Lunch subsidy for all employees.

### 2. Continuing education and training of employees

- (1) In accordance with labor safety and labor health related laws, we regularly conduct hazard awareness and first-aid training courses, as well as fire safety drills.
- (2) In accordance with the Company's Education and Training Procedures, each unit proposes education, management training and professional training for new employees or special occupational training for specific personnel in conjunction with the annual plan, business strategy and work requirements.
- (3) The Company trained 902 persons in 2023, totaling 1,914 hours, with a training expenditure of NT\$603 thousand.
- (4) The Company's related personnel that have attained the related licenses as designated by the competent authorities:

International internal auditor license: 1 person in the Internal Audit Office

3. The Company has formulated its "Work Rules" that set forth the code of ethical conduct for employees, while the "Code of Practice for Safety and Health" discloses measures for the work environment and personal safety protection of employees. The above "Work Rules" and "Code of Practice for Safety and Health" have been made known to employees and are disclosed on the Company's website at [www.yongshunchemical.com](http://www.yongshunchemical.com) / Company News /Corporate Governance/8. Internal Regulations / "Work Rules" and "Code of Practice for Safety and Health."

### 4. Pension system

- (1) We have established the "Employee Retirement Management Procedures" in accordance with the "Labor Standards Act". These Procedures are applicable for all regular employees appointed before the implementation of the "Labor Pension Act" promulgated on July 1, 2005, as well as employees who continued to opt for the "Labor Standards Act" after the implementation of the "Labor Pension Act". In accordance with the requirements of these Procedures, the payment of pensions is calculated based on the length of service and the average wages of the 6 months prior to the approved retirement date. Two base points are given for each full year of service rendered; after 15 years of service, one base point is given for each full year of service rendered. The total number of base points shall be no more than 45. From January 1994, 4% (changed to 8% in April 1995 and 10% in January 1997) of monthly wages is contributed to the labor retirement reserve fund, monitored by the Labor Pension Fund Supervisory Committee. The fund is deposited into a special account at the Trust Department of the Bank of Taiwan under the name of the Committee. In 2023, 1 meeting held to resolve the retirement of 1 employee. Up to the end of 2023, a total of 61 employees have applied for pension. In addition, before the end of each fiscal year, the balance of the special labor retirement reserve fund account is calculated. Where there is insufficient funds to pay the aforementioned amount, the difference will be made up by the Company by the end of March of the following year. In 2023, a total NT\$1,933 thousand was contributed to the labor retirement reserve fund.

(2) For employees using the new labor retirement system, the Company contributes 6% of their monthly wages to be deposited into a personal pension account at the Bureau of Labor Insurance. In 2023, a total NT\$2,395 thousand was contributed to the pension fund under the new system.

5. Labor-management agreements: As the Company does its utmost to maintain a harmonious relationship with employees, there have been no significant labor-management disputes.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found during labor inspections, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company's management system and welfare system are sound, and the relationship between labor and management is harmonious. In the future, the Company will uphold the business philosophy of creating a good working environment in a harmonious labor-management environment, and formulate various education and training programs, so that employees' knowledge and experience of employees will improve as the Company grows. Based on the above, after assessment, the Company believes that there is no consideration of signing a collective agreement with the labor union of the Company. In the future, it will be processed according to the Company's development needs and laws and regulations.

## VI. Cyber security management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:  
The Company's cybersecurity policy takes into account security protection approaches, measures or mechanisms involving necessary and cost-effective management. By doing this, we are able to ensure that the Company's information assets are protected from misuse, leakage, tampering, theft and destruction. In the event of an emergency such as malicious attack, destruction or misuse, the Company will be able to make necessary responses to ensure normal operations are restored within the shortest possible time. This way, the possible impact from these events that may jeopardize the Company's operations can be reduced. At the same time, we strengthen the Company's organization of information security and ensure the duties of information personnel and management of cybersecurity are properly performed in order to protect information assets. In doing so, we expect that overall information operations are smoothly carried out. The Company has adopted the following management measures:
1. Organization: In order to strengthen the effective management of the Company's information security, system and network security, the Company has appointed a chief information security officer and a dedicated information security officer. Through the reinforcement of education and training, we strengthen the capabilities of employees, enabling them to respond to intentional or unintentional external information security incidents.
  2. Procedure: We have a comprehensive information internal control process in place. The effectiveness and reliability of the process are inspected by an annual periodic internal audit and external audit from time to time by a CPA firm.
  3. Technology: An offsite backup mechanism has been established. The network is centrally managed and we have established an integrated firewall and enterprise-level anti-virus software. With the effective management of the above measures, the Company's information security risks are reasonably controlled.
- (II) List any losses suffered by the company in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report due to significant cybersecurity incidents, the possible impacts therefrom, and measures being or to be taken; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.
- The Company did not suffer any losses in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report due to significant cybersecurity incidents.

## VII. Important contracts

Nature of the contract	Contracting parties	Commencement date and expiration date of the contract	Main content	Restrictive clauses
Material procurement contract	Grand Pacific Petrochemical	January 1, 2023 ~ December 31, 2025	Material procurement	None
Material procurement contract	Air Liquide Far Eastern	From September 1, 2014, perpetually effective and automatically renewed for every ten years, unless amended or terminated by mutual consent of both parties.	Material procurement	None
Material procurement contract	San Fu Chemical	From September 26, 2012, the contract will be forever effective and renewed automatically every five years unless amended or terminated by mutual consent of both parties.	Material procurement	None
Material procurement contract	Linde LienHwa Group	From 2022.07.01, the contract will be forever effective and renewed automatically every five years unless amended or terminated by mutual consent of both parties.	Material procurement	None
Loan contract	Mega International Commercial Bank	April 30, 2023~April 29, 2024	Short-term loan and import and export credit	Among which NT\$50 million is revocable
Loan contract	Mega International Commercial Bank	January 12, 2024~January 11, 2025	Trading limit for financial derivatives	None
Loan contract	Taiwan Cooperative Bank	March 22, 2024~December 7, 2025	Short-term loan and import and export credit	None
Loan contract	Taiwan Business Bank	November 16, 2023~November 16, 2024	Short-term loan and import and export credit	None
Loan contract	Taiwan Business Bank	November 16, 2023~November 16, 2024	Trading limit for financial derivatives	None
Loan contract	Hua Nan Commercial Bank	November 22, 2023~November 22, 2024	Short-term loan and import and export credit	None
Lease contract	Hung, Kuo-Ting	January 1, 2022~December 31, 2026	Lease of plant	None
Lease contract	Yu, Chun-Te	November 1, 2022~December 31, 2027	Lease of warehouse	None



## Six. Overview of Financial Status

### I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

#### (I) Condensed Balance Sheets

##### Consolidated Condensed Balance Sheets - Adoption of IFRSs

Unit: NT\$ thousands

Item	Year	Financial information for the past 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Current assets		941,697	969,543	1,020,386	848,335	840,287	854,009
Property, plant, and equipment		366,985	354,248	349,508	347,729	369,543	368,560
Intangible assets		188	138	88	38	1,272	1,189
Other assets		51,349	43,600	37,813	74,590	60,807	57,716
Total assets		1,360,219	1,367,529	1,407,795	1,270,692	1,271,909	1,281,474
Current liabilities	Before distribution	192,142	189,017	203,821	121,397	142,599	152,015
	After distribution	228,776	237,862	264,877	151,925	Note 3	--
Non-current liabilities		75,296	65,808	64,301	85,316	75,195	72,480
Total liabilities	Before distribution	267,438	254,825	268,122	206,713	217,794	224,495
	After distribution	304,072	303,670	329,178	237,241	Note 3	--
Equity attributable to owners of the parent company		1,092,781	1,112,704	1,139,673	1,063,979	1,054,115	1,056,979
Share capital		610,560	610,560	610,560	610,560	610,560	610,560
Capital surplus		53,309	53,309	53,309	53,309	53,309	53,309
Retained earnings	Before distribution	428,912	448,835	475,804	400,110	390,246	393,110
	After distribution	392,278	399,990	414,748	369,582	Note 3	--
Other equity		--	--	--	--	--	--
Treasury stock		--	--	--	--	--	--
Non-controlling interest		--	--	--	--	--	--
Total equity	Before distribution	1,092,781	1,112,704	1,139,673	1,063,979	1,054,115	1,056,979
	After distribution	1,056,147	1,063,859	1,078,617	1,033,451	Note 3:	--

Note 1: Financial information from 2019 to 2023 has been audited and certified by CPAs.

Note 2: Financial data for 2024Q1 have been reviewed by CPA Weng, Po-Jen and CPA Hsueh, Chun-Min of Deloitte Taiwan, who issued the review report with a standard unmodified opinion.

Note 3: The 2023 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

## Parent Company's Condensed Balance Sheets - Adoption of IFRSs

Unit: NT\$ thousands

Item	Year	Financial information for the past 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		855,108	881,656	913,023	774,808	764,622	Not applicable
Funds and investments		49,266	50,476	61,129	62,558	60,246	
Property, plant, and equipment		335,770	330,479	326,546	326,216	343,016	
Intangible assets		188	138	88	38	1,272	
Other assets		20,111	18,869	19,203	22,911	18,562	
Total assets		1,260,443	1,281,618	1,319,989	1,186,531	1,187,718	
Current liabilities	Before distribution	102,236	106,223	117,087	66,245	80,349	
	After distribution	138,870	155,068	178,143	96,773	Note 2	
Long-term liabilities		46,273	46,034	45,866	45,841	47,041	
Other liabilities		19,153	16,657	17,363	10,466	6,213	
Total liabilities	Before distribution	167,662	168,914	180,316	122,552	133,603	
	After distribution	204,296	217,759	241,372	153,080	Note 2	
Share capital		610,560	610,560	610,560	610,560	610,560	
Capital surplus		53,309	53,309	53,309	53,309	53,309	
Retained earnings	Before distribution	428,912	448,835	475,804	400,110	390,246	
	After distribution	392,278	399,990	414,748	369,582	Note 2	
Other equity		--	--	--	--	--	
Treasury stock		--	--	--	--	--	
Total equity	Before distribution	1,092,781	1,112,704	1,139,673	1,063,979	1,054,115	
	After distribution	1,056,147	1,063,859	1,078,617	1,033,451	Note 2	

Note 1: Parent company only financial statements from 2019 to 2023 have been audited and certified by CPAs.

Note 2: The 2023 earnings distribution proposal has not yet been resolved by the shareholders' meeting.

## (II) Condensed Statements of Comprehensive Income

## Consolidated Condensed Statements of Comprehensive Income - Adoption of IFRSs

Unit: NT\$ thousands

Item \ Year	Financial information for the past 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	1,046,430	810,058	1,148,633	1,134,234	768,731	176,895
Operating margin	115,407	119,610	177,252	49,267	100,944	22,421
Operating profit (loss)	31,805	43,200	90,191	(27,134)	19,605	2,967
Non-operating income and expenses	2,622	15,669	3,201	3,779	4,157	1,368
Net profit (loss) before tax	34,427	58,869	93,392	(23,355)	23,762	4,335
Net income (loss) of continuing operations	33,722	55,516	77,381	(19,191)	18,378	2,864
Loss from discontinued operations	--	--	--	--	--	--
Net income (loss) for the period	33,722	55,516	77,381	(19,191)	18,378	2,864
Other comprehensive income (loss) for the period (net amount after tax)	1,529	1,040	(1,568)	4,553	2,286	--
Total comprehensive income (loss) for the period	35,251	56,556	75,813	(14,638)	20,664	2,864
Net income (loss) attributable to the owners of the parent company	33,722	55,516	77,381	(19,191)	18,378	2,864
Net income attributable to non-controlling interests	--	--	--	--	--	--
Total comprehensive income (loss) attributable to the owners of the parent company	35,251	56,556	75,813	(14,638)	20,664	2,864
Total comprehensive income attributable to non-controlling interests	--	--	--	--	--	--
Earnings (Losses) per share	0.55	0.91	1.27	(0.31)	0.30	0.05

Note 1: Financial information from 2019 to 2023 has been audited and certified by CPAs.

Note 2: Financial data for 2024Q1 have been reviewed by CPA Weng, Po-Jen and CPA Hsueh, Chun-Min of Deloitte Taiwan, who issued the review report with a standard unmodified opinion.

Parent Company's Statements of Comprehensive Income - Adoption of IFRSs

Unit: NT\$ thousands

Item	Year	Financial information in the most recent 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024
		2019	2020	2021	2022	2023	
Operating revenue		897,214	664,234	1,021,713	974,263	650,092	Not applicable
Operating margin		102,708	108,068	153,399	37,217	92,890	
Operating profit (loss)		34,996	43,518	78,757	(26,982)	21,490	
Non-operating income and expenses		(641)	15,518	14,360	3,643	2,771	
Net profit (loss) before tax		34,355	59,036	93,117	(23,339)	24,261	
Net income (loss) of continuing operations		33,722	55,516	77,381	(19,191)	18,378	
Loss from discontinued operations		--	--	--	--	--	
Net income (loss) for the period		33,722	55,516	77,381	(19,191)	18,378	
Other comprehensive income (loss) for the period (net amount after tax)		1,529	1,040	(1,568)	4,553	2,286	
Total comprehensive income (loss) for the period		35,251	56,556	75,813	(14,638)	20,664	
Net income (loss) attributable to the owners of the parent company		33,722	55,516	77,381	(19,191)	18,378	
Net income attributable to non-controlling interests		--	--	--	--	--	
Total comprehensive income (loss) attributable to the owners of the parent company		35,251	56,556	75,813	(14,638)	20,664	
Total comprehensive income attributable to non-controlling interests		--	--	--	--	--	
Earnings (Losses) per share		0.55	0.91	1.27	(0.31)	0.30	

Note 1: Parent company only financial statements from 2019 to 2023 have been audited and certified by CPAs.

(III) Names of CPAs and the audit opinions in the most recent 5 fiscal years

Year	CPA firm name	CPA	Opinion	Remarks
2019	Deloitte Taiwan	Chih, Jui-Chuan; Yu, Su-Huan	Unmodified opinion	--
2020	Deloitte Taiwan	Chih, Jui-Chuan; Yu, Su-Huan	Unmodified opinion	--
2021	Deloitte Taiwan	Hsueh, Chun-Min; Chih, Jui-Chuan	Unmodified opinion	--
2022	Deloitte Taiwan	Hsueh, Chun-Min; Chih, Jui-Chuan	Unmodified opinion	--
2023	Deloitte Taiwan	Weng, Po-Jen/Hsueh, Chun-Min	Unmodified opinion	--

Note: Financial data for 2024Q1 have been reviewed by CPA Weng, Po-Jen and CPA Hsueh, Chun-Min of Deloitte Taiwan, who issued the review report with a standard unmodified opinion.

## II. Financial analysis in the most recent 5 fiscal years

### Consolidated Financial Analysis - Adoption of IFRSs

Analysis Item		Year	Financial analysis in the most recent 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023		
Financial structure (%)	Ratio of liabilities to assets	19.66	18.63	19.05	16.27	17.12	17.52	
	Ratio of long-term funds to property, plant, and equipment	318.29	332.68	344.48	330.51	305.60	306.45	
Solvency (%)	Current Ratio	490.10	512.94	500.63	698.81	589.27	561.79	
	Quick Ratio	340.12	389.39	342.44	464.84	423.30	409.84	
	Times interest earned	1,943.97	5,022.16	13,674.42	-2,092.96	1,727.53	1,214.40	
Operating capabilities	Accounts receivable turnover ratio (times)	5.09	4.01	4.82	5.51	5.13	5.05	
	Average collection days	71	91	75	66	71	72.28	
	Inventory turnover ratio (times)	2.97	2.69	3.55	3.62	2.59	2.68	
	Accounts payable turnover ratio (times)	21.83	13.03	18.10	28.32	23.47	20.34	
	Average sales days	122	135	102	100	140	136.34	
	Property, plant and equipment turnover ratio (times)	2.85	2.29	3.29	3.26	2.08	1.92	
	Total asset turnover ratio (times)	0.77	0.59	0.82	0.89	0.60	0.55	
Profitability	Return on Assets%	2.56	4.14	5.62	-1.37	1.54	0.25	
	Return on equity%	3.09	5.03	6.87	-1.74	1.74	0.27	
	Ratio of pre-tax income to paid-in capital%	5.64	9.64	15.30	-3.83	3.89	0.71	
	Net Profit Rate%	3.22	6.85	6.74	-1.69	2.39	1.62	
	EPS (NT\$)%	0.55	0.91	1.27	-0.31	0.30	0.05	
Cash flow	Cash flow ratio%	79.00	61.71	-10.94	96.90	50.24	17.80	
	Cash flow adequacy ratio%	253.88	150.36	78.44	98.15	117.71	94.23	
	Cash reinvestment ratio%	6.64	4.32	-3.77	3.07	2.26	1.49	
Leverage	Operating leverage	1.84	1.52	1.25	0.15	2.15	2.99	
	Financial leverage	1.06	1.03	1.01	0.96	1.08	1.15	

Reasons for changes in financial ratios in the most recent 2 fiscal years::

1. Times interest earned: The increase by 182.54% from the previous period was mainly due to the increase in net profit before tax in the current period from the previous period.
2. Inventory turnover: The decrease by 28.45% in the current period from the previous period was mainly due to the decrease in the cost of goods sold in the current period from the previous period.
3. Average inventory turnover days: The increase by 39.73% from the previous period was mainly due to the decrease in inventory turnover in the current period from the previous period.
4. Return on fixed assets and total assets: The decrease by 36.23% and 32.29%, respectively, in the current period from the previous period was mainly due to the decrease in net sales in the current period from the previous period.
5. Return on total assets and return on equity: The increase by 212.28% and 199.63%, respectively, in the current period from the previous period was mainly due to the increase in the net income in the current period from the previous period.
6. Ratio of operating profit and pre-tax income to paid-in capital: The increase by 172.25% and 201.74% in the current period from the previous period was mainly due to the increase in the net profit before tax in the current period from the previous period.
7. Net profit margin and earnings per share: The increase by 241.30% and 195.76%, respectively, in the current period from the previous period was mainly due to the increase in net income in the current period from the previous period.
8. Gross margin: The increase by 202.53% in the current period from the previous period was mainly due to the increase in gross profit in the current period from the previous period.
9. Cash flow ratio: The decrease by 48.16% in the current period from the previous period was mainly due to the decrease in net cash flow from operating activities in the current period from the previous period.
10. Cash reinvestment ratio: The decrease by 26.31% in the current period from the previous period was mainly due to the decrease in the difference between net cash flow from operating activities and cash dividends in the current period from the previous period.
11. Operating leverage: The increase by 1,333.33% in the current period from the previous period was mainly due to the increase in operating income in the current period from the previous period.

Note 1: Consolidated financial statements from 2019 to 2023 have been audited and certified by CPAs.

Note 2: Financial data for 2024Q1 have been reviewed by CPA Weng, Po-Jen and CPA Hsueh, Chun-Min of Deloitte Taiwan, who issued the review report with a standard unmodified opinion.

Parent Company's Financial Analysis - Adoption of IFRSs

Analysis Item		Year	Financial analysis in the most recent 5 fiscal years (Note 1)					Financial information for the current year up to March 31, 2024
		2019	2020	2021	2022	2023		
Financial structure (%)	Ratio of liabilities to assets	13.30	13.18	13.66	10.33	11.25	Not applicable	
	Ratio of long-term funds to property, plant, and equipment	344.94	355.66	368.37	343.42	322.83		
Solvency (%)	Current Ratio	836.41	830.00	779.78	1,169.61	951.63		
	Quick Ratio	639.33	672.64	580.36	849.53	736.72		
	Times interest earned	62,563.64	393,673.33	490,189.47	-12,653.55	59,273.17		
Operating capabilities	Accounts receivable turnover ratio (times)	4.10	3.25	4.41	4.79	4.24		
	Average collection days	89	112	82	76	86		
	Inventory turnover ratio (times)	3.61	3.06	4.42	4.27	2.93		
	Accounts payable turnover ratio (times)	23.02	16.43	22.28	26.57	22.27		
	Average sales days	101	119	82	85	124		
	Property, plant and equipment turnover ratio (times)	2.67	2.01	3.13	2.99	1.90		
	Total asset turnover ratio (times)	0.71	0.52	0.77	0.82	0.55		
Profitability	Return on assets (%)	2.67	4.37	5.95	-1.52	1.55		
	Return on equity (%)	3.09	5.03	6.87	-1.74	1.74		
	As percentage of paid-in capital (%)	Operating profit	5.73	7.13	12.90	-4.42	3.52	
		Net profit before tax	5.63	9.67	15.25	-3.82	3.97	
	Net profit rate (%)	3.76	8.36	7.57	-1.97	2.83		
	EPS (NT\$)	0.55	0.91	1.27	-0.31	0.30		
Cash flow	Cash flow ratio (%)	130.51	65.57	5.35	101.80	73.52		
	Cash flow adequacy ratio%	147.51	108.73	76.65	91.43	106.10		
	Cash reinvestment ratio (%)	6.10	1.93	-2.45	0.38	1.73		
Leverage	Operating leverage	1.29	1.20	1.11	0.71	1.37		
	Financial leverage	1.00	1.00	1.00	0.99	1.00		
Reasons for changes in financial ratios in the most recent 2 fiscal years:								
1. Times interest earned: The increase by 568.43% from the previous period was mainly due to the increase in net profit before tax in the current period from the previous period.								
2. Inventory turnover: The decrease by 31.32% from the previous period was mainly due to the decrease in the cost of goods sold in the current period from the previous period.								
3. Average inventory turnover days: The increase by 45.60% from the previous period was mainly due to the decrease in inventory turnover in the current period from the previous period.								
4. Return on fixed assets and total assets: The decrease by 36.54% and 33.34%, respectively, from the previous period was mainly due to the decrease in net sales in the current period from the previous period.								
5. Return on total assets and return on equity: The decrease by 202.06% and 199.63%, respectively, from the previous period was mainly due to the increase in the net income in the current period from the previous period.								
6. Ratio of operating profit and pre-tax income to paid-in capital: The increase by 179.65% and 203.95% from the previous period was mainly due to the increase in the net profit before tax in the current period from the previous period.								
7. Net profit margin and earnings per share: The increase by 243.52% and 195.76%, respectively, from the previous period was mainly due to the increase in net income in the current period from the previous period.								
8. Gross margin: The increase by 269.70% from the previous period was mainly due to the increase in gross profit in the current period from the previous period.								
9. Cash flow ratio: The decrease by 27.78% from the previous period was mainly due to the increase in current liabilities in the current period from the previous period.								
10. Cash reinvestment ratio: The increase by 350.97% from the previous period was mainly due to the decrease in the difference between net cash flow from operating activities and cash dividends in the current period from the previous period.								
11. Operating leverage: The increase by 92.96% from the previous period was mainly due to the increase in operating income in the current period from the previous period.								

Note 1: Parent company only financial statements from 2019 to 2023 have been audited and certified by CPAs.

### III. Audit committee's report for the financial statements in the most recent fiscal year

#### Audit Committee Review Report

The Board of Directors prepared and presented the Company's 2023 Business Report, financial statements (consolidated and parent company only), and earnings distribution proposal, of which the financial statements (consolidated and parent company only) were audited by Weng Po-Jen and Hsueh Chun-Min of Deloitte Taiwan, with an audit report issued.

The Audit Committee found no inconsistency in the reports and reports prepared by the Board of Directors. Presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2024 General Shareholders' Meeting of Yong Shun Chemical Co., Ltd.

Chairman of the Audit Committee: Chou Man-Chin

March 28, 2024

#### IV. Financial statements in the most recent fiscal year:

### Independent Auditor's Report

To Yong Shun Chemical Co., Ltd.:

#### Opinion

We have duly audited the consolidated balance sheet of Yong Shun Chemical Co., Ltd. and Subsidiaries for December 31, 2023 and 2022, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement from January 1 to December 31, 2023 and 2022 as well as notes to the consolidated financial statements (including the summary of material accounting policies).

In our opinion, the consolidated financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and are fairly stated in terms of the consolidated financial position of Yong Shun Chemical Co., Ltd. as of December 31, 2023 and 2022, and the consolidated financial performance and consolidated cash flow from January 1 to December 31, 2023 and 2022.

#### Basis for Opinion

Certified Public Accountants conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements using auditing principles. Our responsibilities as an auditor under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the CPA code of ethics and maintained independence from Yong Shun Chemical Co., Ltd. and its subsidiaries when performing their duties. We believe that the evidence obtained provides an adequate and appropriate basis for our opinion.

#### Key Audit Matters

Key audit matters are matters that we considered to be the most important, based on professional judgment, when auditing the 2023 consolidated financial statements of Yong Shun Chemical Co., Ltd. and its subsidiaries. These issues were addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual matters.

The key audit items of the consolidated financial statements of Yong Shun Chemical Co., Ltd. and its subsidiaries for 2023 are as follows:

#### Key audit matter: Authenticity of sales, revenue and shipment to specific customers

Yong Shun Chemical Co., Ltd. and its subsidiaries are mainly engaged in the design, development, and manufacturing of resin products. Since changes in the major customers have a significant impact on the financial statements, and sales revenue is inherently subject to a high degree of risk, we have identified customers meeting specific criteria, and assessed the authenticity of the sales revenue transactions for these customers as a key audit matter. Please refer to Notes 4 and 21 to the consolidated financial statements.

In response to the above important matters, the main audit procedures implemented by the CPAs are as follows:

1. Understanding and testing the revenue recognition of a specific sales target is critical to the design and execution of internal control.
2. For the aforementioned specific sales target revenue details, select the sample to check the relevant supporting documents and test the collection status to confirm that the sales transaction actually occurred.
3. We review whether material sales returns and discounts have occurred after the balance sheet date, in order to confirm whether there is material misstatement in the revenue of specific sales targets.



## Other Items

Yong Shun Chemical Co., Ltd. has prepared the parent company's financial statements for the years 2023 and 2022, and we have issued an audit report with a unmodified opinion for reference.

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

The responsibility of management is to prepare consolidated financial statements that fairly present the financial position of the Company in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations issued by the Financial Supervisory Commission, and to maintain necessary internal controls relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management's responsibility also includes assessing Yong Shun Chemical Co., Ltd. and its subsidiaries' ability to continue operating, the disclosure of related matters, and the adoption of the basis of accounting, unless management intends to liquidate Yong Shun Chemical Co., Ltd. and its subsidiaries or to cease operations, or there is no practical alternative to liquidation or cessation of operations.

The governance units (including the Audit Committee) of Yong Shun Chemical Co., Ltd. and its subsidiaries are responsible for overseeing the financial reporting process.

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

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether caused by fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risk of material misstatement within the consolidated financial statements that are attributed to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal controls, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Obtaining an understanding of the internal controls relevant to our 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 Yong Shun Chemical Co., Ltd. and its subsidiaries' internal controls.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures.
4. Based on the evidence obtained, making a conclusion on the appropriateness of the management's adoption of the basis of accounting and whether there is any material uncertainty about the events or circumstances that may cast significant doubt on the ability of Yong Shun Chemical Co., Ltd. and its subsidiaries to continue operating. We are bound to remind consolidated financial statement users to pay attention to relevant disclosures in the notes of statements within our audit report if material uncertainties exist in regards to the aforementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause Yong Shun Chemical Co., Ltd. and its subsidiaries to cease to have the ability to continue operating.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the notes in the statements), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtaining sufficient and appropriate audit evidence of financial information and entities within the group, and expressing opinions on consolidated financial statements. Our responsibilities as an auditor are to instruct, supervise, and execute audits and form audit opinions on the Company.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects in internal controls identified during the audit) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the CPA code of ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including relevant protection measures).

From the matters communicated with the governance unit, we decided on the key audit items for the audit of the annual consolidated financial statements of Yong Shun Chemical Co., Ltd. and its subsidiaries for 2023. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because they may cause higher negative effects than the benefits they bring to public interest.

Deloitte Taiwan  
CPA Weng, Po-Jen

CPA Hsueh, Chun-Min

Financial Supervisory Commission approval  
number

Letter referenced Jin-Guan-Cheng-Shen Zi  
No. 1010028123

Financial Supervisory Commission approval  
number

Letter referenced Jin-Guan-Cheng-Shen Zi  
No. 1090358185

March 28, 2024

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Notes 6 and 27)	\$ 364,631	29	\$ 338,067	27
1136	Financial assets measured at amortized costs - current (Notes 8, 9 and 27)	99,000	8	99,000	8
1150	Net notes receivable (Notes 10, 21 and 27)	38,620	3	35,616	3
1170	Net accounts receivable (Notes 10, 21 and 27)	107,461	8	115,246	9
130X	Inventory (Note 11)	218,149	17	248,837	19
1410	Prepayments	2,937	-	2,843	-
1220	Income tax assets of the period (Note 23)	8,494	1	8,274	1
1479	Other current assets (Notes 15 and 27)	995	-	452	-
11XX	Total current assets	<u>840,287</u>	<u>66</u>	<u>848,335</u>	<u>67</u>
<b>Non-current assets</b>					
1600	Property, plant and equipment (Notes 13, 25 and 29)	369,543	29	347,729	27
1755	Right-of-use assets (Note 14)	26,684	2	34,627	3
1780	Intangible assets	1,272	-	38	-
1840	Deferred income tax assets (Note 23)	31,696	3	36,098	3
1915	Prepaid equipment purchases	-	-	1,843	-
1920	Refundable deposits (Note 27)	2,022	-	2,022	-
1990	Other non-current assets - others	405	-	-	-
15XX	Total non-current assets	<u>431,622</u>	<u>34</u>	<u>422,357</u>	<u>33</u>
1XXX	Total assets	<u>\$ 1,271,909</u>	<u>100</u>	<u>\$ 1,270,692</u>	<u>100</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
2100	Short-term borrowing (Notes 16, 25 and 27)	\$ 43,000	3	\$ 34,000	3
2110	Short-term notes payable (Notes 16, 25 and 27)	32,130	3	12,714	1
2120	Financial liabilities at fair value through profit or loss - current (Notes 7 and 27)	1,280	-	344	-
2130	Contractual liabilities - current (Note 21)	917	-	9,262	1
2150	Notes payable (Notes 17 and 27)	5,618	-	4,121	-
2170	Accounts payable (Notes 17 and 27)	22,631	2	24,526	2
2219	Other payables (Notes 18 and 27)	29,571	2	28,892	2
2230	Income tax liabilities of the period (Note 23)	-	-	247	-
2280	Lease liabilities - current (Notes 14, 25 and 27)	6,964	1	6,847	-
2399	Other current liabilities	488	-	444	-
21XX	Total current liabilities	<u>142,599</u>	<u>11</u>	<u>121,397</u>	<u>9</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities (Note 23)	47,094	4	45,999	4
2580	Lease liabilities - non-current (Notes 14, 25 and 27)	17,261	1	24,224	2
2550	Liability reserves - non-current (Note 14)	4,627	-	4,627	-
2640	Net defined benefit liabilities - non-current (Note 19)	6,213	1	10,466	1
25XX	Total non-current liabilities	<u>75,195</u>	<u>6</u>	<u>85,316</u>	<u>7</u>
2XXX	Total liabilities	<u>217,794</u>	<u>17</u>	<u>206,713</u>	<u>16</u>
<b>Owner's equity attributable to owner of the Company (Note 20)</b>					
<b>Share capital</b>					
3110	Common stock	<u>610,560</u>	<u>48</u>	<u>610,560</u>	<u>48</u>
3200	Capital surplus	<u>53,309</u>	<u>4</u>	<u>53,309</u>	<u>4</u>
<b>Retained earnings</b>					
3310	Legal reserve	210,483	17	210,483	17
3320	Special reserve	98,028	8	98,028	8
3350	Undistributed retained earnings	<u>81,735</u>	<u>6</u>	<u>91,599</u>	<u>7</u>
3300	Total retained earnings	<u>390,246</u>	<u>31</u>	<u>400,110</u>	<u>32</u>
3XXX	Total equity	<u>1,054,115</u>	<u>83</u>	<u>1,063,979</u>	<u>84</u>
Total liabilities and equity		<u>\$ 1,271,909</u>	<u>100</u>	<u>\$ 1,270,692</u>	<u>100</u>

The attached notes are part of the consolidated financial report.

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen Fu-Mei

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Comprehensive Income  
For the years ended December 31, 2023 and December 31, 2022  
Unit: NTD thousands, except earnings (losses) per share which is in NTD

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 21)	\$ 768,731	100	\$ 1,134,234	100
5000	Operating costs (Notes 11 and 22)	( 667,787 )	( 87 )	( 1,084,967 )	( 95 )
5900	Operating margin	<u>100,944</u>	<u>13</u>	<u>49,267</u>	<u>5</u>
	Operating expenses (Note 22)				
6100	Selling expenses	( 33,747 )	( 4 )	( 37,531 )	( 3 )
6200	Administrative expenses	( 40,619 )	( 5 )	( 37,361 )	( 3 )
6300	Research and development expenses	( 5,568 )	( 1 )	( 5,569 )	( 1 )
6450	Expected credit (impairment loss) recovery gain	( 1,405 )	-	<u>4,060</u>	-
6000	Total operating expenses	( <u>81,339</u> )	( <u>10</u> )	( <u>76,401</u> )	( <u>7</u> )
6900	Operating net income (loss)	<u>19,605</u>	<u>3</u>	( <u>27,134</u> )	( <u>2</u> )
	Non-operating income and expenses (Notes 22 and 31)				
7100	Interest income	4,431	-	2,013	-
7010	Other income	95	-	655	-
7020	Other gains and losses	1,091	-	2,176	-
7050	Finance costs	( 1,460 )	-	( 1,065 )	-
7000	Total non-operating income and expenses	<u>4,157</u>	<u>-</u>	<u>3,779</u>	<u>-</u>
7900	Net profit (loss) before tax	23,762	3	( 23,355 )	( 2 )
7950	Income tax (expense) income (Note 23)	( 5,384 )	-	<u>4,164</u>	-
8200	Net profit (loss) for the year	<u>18,378</u>	<u>3</u>	( <u>19,191</u> )	( <u>2</u> )

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income (Notes 19, 20 and 23)				
	Items not reclassified into profit or loss:				
8311	Remeasurement of defined benefit obligation	\$ 2,857	-	\$ 5,691	1
8341	Income tax related to items not reclassified	( 571)	-	( 1,138)	-
8310		<u>2,286</u>	-	<u>4,553</u>	<u>1</u>
8300	Other comprehensive income of the period (net after tax)	<u>2,286</u>	-	<u>4,553</u>	<u>1</u>
8500	Comprehensive income of the period	<u>\$ 20,664</u>	<u>3</u>	<u>(\$ 14,638)</u>	<u>( 1)</u>
	Net profit (loss) attributable to				
8610	Owner of the Company	\$ 18,378	3	(\$ 19,191)	( 2)
8620	Non-controlling interest	-	-	-	-
8600		<u>\$ 18,378</u>	<u>3</u>	<u>(\$ 19,191)</u>	<u>( 2)</u>
	Consolidated profit or loss attributable to				
8710	Owner of the Company	\$ 20,664	3	(\$ 14,638)	( 1)
8720	Non-controlling interest	-	-	-	-
8700		<u>\$ 20,664</u>	<u>3</u>	<u>(\$ 14,638)</u>	<u>( 1)</u>
	Earnings (losses) per share (Note 24)				
9750	Basic	<u>\$ 0.30</u>		<u>(\$ 0.31)</u>	
9850	Diluted	<u>\$ 0.30</u>		<u>(\$ 0.31)</u>	

The attached notes are part of the consolidated financial report.

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
For the years ended December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code		Share capital		Retained earnings			Total equity	
		Number of shares (thousand)	Amount	Capital surplus	Legal reserve	Special reserve		Undistributed retained earnings
A1	Balance on January 1, 2022	61,056	\$ 610,560	\$ 53,309	\$ 202,902	\$ 98,028	\$ 174,874	\$ 1,139,673
	Earnings distribution for 2021							
B1	Legal reserve	-	-	-	7,581	-	( 7,581 )	-
B5	Cash dividends	-	-	-	-	-	( 61,056 )	( 61,056 )
D1	Net loss for 2022	-	-	-	-	-	( 19,191 )	( 19,191 )
D3	Other after-tax comprehensive income of 2022	-	-	-	-	-	4,553	4,553
D5	Total comprehensive income of 2022	-	-	-	-	-	( 14,638 )	( 14,638 )
Z1	Balance on December 31, 2022	61,056	610,560	53,309	210,483	98,028	91,599	1,063,979
	Earnings distribution for 2022							
B5	Cash dividends	-	-	-	-	-	( 30,528 )	( 30,528 )
D1	Net profit for 2023	-	-	-	-	-	18,378	18,378
D3	Other after-tax comprehensive income of 2023	-	-	-	-	-	2,286	2,286
D5	Total comprehensive income of 2023	-	-	-	-	-	20,664	20,664
Z1	Balance on December 31, 2023	<u>61,056</u>	<u>\$ 610,560</u>	<u>\$ 53,309</u>	<u>\$ 210,483</u>	<u>\$ 98,028</u>	<u>\$ 81,735</u>	<u>\$ 1,054,115</u>

The attached notes are part of the consolidated financial report.

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Consolidated Statement of Cash Flow  
For the years ended December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code		2023	2022
	Cash flow from operating activities		
A10000	Net income (loss) before tax	\$ 23,762	(\$ 23,355)
A20010	Income, expenses and losses		
A20100	Depreciation expenses	21,498	22,514
A20200	Amortization expenses	93	50
A20300	Expected credit impairment loss (recovery gain)	1,405	( 4,060)
A20400	Net gain of financial liabilities at fair value through profit or loss	936	156
A20900	Finance costs	1,460	1,065
A21200	Interest income	( 4,431)	( 2,013)
A22500	Gain on disposal of property, plant, and equipment	( 40)	( 180)
A23700	Loss (recovery gain) on decline in value of inventories	( 16,785)	20,683
A29900	Inventory scrapping loss	622	1,254
A30000	Net change of operating assets and liabilities		
A31130	Notes receivable	( 3,004)	7,160
A31150	Accounts receivable	6,380	102,232
A31200	Inventory	46,851	35,095
A31230	Prepayments	( 94)	2,038
A31240	Other current assets	( 530)	293
A32125	Contractual liabilities	( 8,345)	4,766
A32130	Notes payable	1,497	( 1,710)
A32150	Accounts payable	( 1,895)	( 17,624)
A32180	Other payables	1,093	( 4,822)
A32230	Other current liabilities	44	( 2,453)
A32240	Defined benefit liabilities	( 1,396)	( 2,344)
A33000	Cash from operations	69,121	138,745
A33100	Interest received	4,418	1,991
A33300	Interest paid	( 978)	( 718)
A33500	Income tax paid	( 925)	( 22,387)
AAAA	Net cash inflow from operating activities	<u>71,636</u>	<u>117,631</u>

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Code		2023	2022
	Cash flow from investment activities		
B02700	Acquisition of property, plant and equipment	(\$ 33,940)	(\$ 10,030)
B02800	Proceeds from disposal of property, plant and equipment	40	197
B04500	Acquisition of intangible assets	( 1,327)	-
B06700	Increase in other non-current assets	( 405)	-
B07100	Increase in prepaid equipment purchase	<u>-</u>	<u>( 1,843)</u>
BBBB	Net cash outflow from investments	<u>( 35,632)</u>	<u>( 11,676)</u>
	Cash flow from financial activities		
C00100	Increase (decrease) in short-term borrowings	9,000	( 35,913)
C00600	Increase (decrease) in short-term notes payable	19,416	( 17,291)
C04020	Repayment of lease liability principal	( 7,328)	( 7,328)
C04500	Cash dividend payment	<u>( 30,528)</u>	<u>( 61,056)</u>
CCCC	Net cash outflow from financial activities	<u>( 9,440)</u>	<u>( 121,588)</u>
EEEE	Increase (decrease) in cash and cash equivalents	26,564	( 15,633)
E00100	Cash and cash equivalents at the beginning of the year	<u>338,067</u>	<u>353,700</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 364,631</u>	<u>\$ 338,067</u>

The attached notes are part of the consolidated financial report.

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei



Yong Shun Chemical Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statements  
For the years ended December 31, 2023 and December 31, 2022  
(NTD thousand, Unless Stated Otherwise)

I. Organization and Operations

Yong Shun Chemical Co., Ltd. (hereinafter referred to as "the Company") was established in July 1965, mainly engaged in the manufacturing and sales of multi-component resins, special coating resins and fiber auxiliaries as well as the manufacturing, processing and trading of various reinforced plastic-steel products, the manufacturing of the auxiliary raw materials, the purchase of raw materials, and the import and export of finished products.

The Company's stock has been traded on the Taipei Exchange of the Republic of China since February 1999.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group" are presented in the Company's functional currency, the New Taiwan dollar.

II. Financial Statement Approval Date and Procedures

The consolidated financial report was approved by the Board of Directors on March 11, 2024.

III. Application of new standards, amendments, and interpretations

- (I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to collectively as the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the revised IFRS approved and issued by the FSC will not result in a material change in the accounting policies of the Group.

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

When applying the amendments, the Group shall determine the material accounting policy information to be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is material. Moreover:

- Accounting policy information related to non-material transactions, other matters, or circumstances that are non-material, and the Group is not required to disclose such information.
- The Group may determine the relevant accounting policy information to be material due to the nature of transactions, other matters, or circumstances, even if the amount is not material.
- Not all accounting policy information related to the significant transaction, other matters, or circumstances is material.

If the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be material:

- (1) The Group changes its accounting policies during the reporting period, and the change results in a material change in financial statement information;
- (2) The Group selects its applicable accounting policies from the options allowed by the standards;
- (3) Due to the lack of specific standards, the Group has formulated accounting policies in accordance with IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates";
- (4) The Group discloses the accounting policies that are determined using significant judgments or assumptions; or

- (5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

Refer to Note 4 for related accounting policy information.

2. Amendments to IAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments since January 1, 2023, which defines accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the Group may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

(II) FSC-approved IFRS Accounting Standards applicable from 2024 onwards

<u>New/amended/revised standards and interpretations</u>	<u>Effective date announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liabilities under Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Contractual Clauses”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the new/amended/ revised standards and interpretations above are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee should apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (Amended in 2020) and “Non-current Liabilities with Contractual Clauses” (Amended in 2022)

Amended in 2020 to clarify that when determining whether a liability is classified as non-current, it is necessary to assess whether the Group has the right to defer the settlement period to at least 12 months after the reporting period at the end of the reporting period. If the Group has the right at the end of the reporting period, regardless of whether the Group expects to exercise the right, the liabilities are classified as non-current.

The 2020 amendments further specify that if the Group must comply with certain conditions before it has the right to defer payment of its liabilities, the Group must have complied with certain conditions at the end of the reporting period, even if the lender is testing whether the Group has complied with those conditions at a later date. The 2022 amendments further clarify that only the contractual terms that must be followed before the end of the reporting period will affect the classification of liabilities. Although the terms of the contract to be followed within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed to enable users of the financial statements to understand that the Group may not be able to comply with the contractual terms and be required to make repayments within 12 months after the reporting period.

The 2020 amendments provide that, for the purpose of liability classification, the aforementioned settlement refers to the extinguishment of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Group to the counterparty. However, if the terms of the liability may be based on the choice of the counterparty, resulting in the settlement of the equity instrument of the Group, and if the choice is separately recognized in equity according to IAS 32 “Financial Instruments: Presentation”, the aforementioned clauses do not affect the classification of liabilities.

In addition to the impacts referred to above, as of the date the financial report was authorized for issue, the Group has assessed the possible impact that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- (III) IFRS Accounting Standards issued by the IASB but not yet approved and released by the FSC

<u>New/amended/ revised standards and interpretations</u>	<u>Effective date announced by IASB (Note 1)</u>
IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "First-time Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The Group shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Group recognizes any effect as an adjustment to the opening balance of retained earnings. When the Group uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the above impact, as of the date the financial report authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

- (I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS Accounting Standards approved and issued by the FSC.

- (II) Basis of preparation

In addition to financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of planned assets, the consolidated financial statements are prepared based on historical cost.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

- (III) Criteria for distinguishing current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date, and
3. Cash and cash equivalents (other than those restricted from being exchanged or settled more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months of the balance sheet date (long-term refinancing or rescheduled agreements completed after the balance sheet date and before the issuance of the financial report are also current liabilities), and
3. Liabilities that cannot be unconditionally deferred until at least 12 months after the balance sheet date. If the terms of the liability may be settled by issuing equity instruments at the choice of the counterparty, the classification will not be affected.

Assets or liabilities that are not classified as current assets or liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial instruments of the Company and the entities controlled by the Company (i.e., its subsidiaries). In the consolidated statement of comprehensive income, the operating income of the acquired or discontinued subsidiaries since the acquisition date or until the disposal date has been included. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. The total comprehensive income of the subsidiaries is attributable to the owners and to the non-controlling interest of the Company, even if the non-controlling interest becomes a loss.

Where the change of ownership rights of the subsidiaries of the Group does not result in a loss of control, it shall be treated as an equity transaction. The book values of the Group and non-controlling interests have been adjusted to reflect the change in the relative interests in subsidiaries. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and belongs to the owners of the Company.

For details of subsidiaries, shareholding ratio and business items, please refer to Note 12 and Table 2.

(V) Foreign currency

Within the financial statements for each individual entity, every transaction in a currency other than the individual's functional currency (foreign currency) is converted into the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are converted at the closing rate on the balance sheet date. Exchange differences arising from the settlement of monetary items or the conversion of monetary items are recognized in profit or loss in the period they occur.

Non-monetary items denominated in foreign currencies that are measured at fair value are converted at the prevailing exchange rates on the date when the fair values are determined, and the resulting exchange differences are recognized in profit or loss for the current period, except for those arising from changes in fair value that should be recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies measured at historical cost are converted at the exchange rates prevailing on the dates of transactions and are not re-converted.

(VI) Inventory

Inventory includes raw materials, supplies, finished goods and work-in-progress. Inventories are measured at a lower cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. The net realizable value is the estimated selling price under normal circumstances less the estimated costs still to be invested to completion and the estimated costs required to complete the sale. The cost of inventories is calculated using the weighted-average method.

(VII) Property, plant, and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Group reviews the estimated useful

lives, residual values and depreciation methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

When property, plant and equipment are de-recognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(VIII) Intangible assets

1. Single acquisition

Individually acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. The Group reviews the estimated useful lives, residual values and amortization methods at least at the end of each year and defers the effect of changes in applicable accounting estimates. Intangible assets with uncertain useful lives are presented at cost less accumulated impairment losses.

2. Derecognition

When intangible assets are de-recognized, the difference between the net disposal price and the carrying amount of the assets is recognized in the current profit or loss.

(IX) Impairment loss of property, plant and equipment, right-of-use assets and intangible assets.

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Common assets are allocated to the group of minimum cash-generating units on a reasonable and consistent basis.

The recoverable amount is the higher fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, then the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that would have been determined if the impairment loss had not been recognized in prior years for that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(X) Financial instruments

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

When financial assets and financial liabilities are not initially recognized at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and de-recognized using trade date accounting.

(1) Type of measurements

The types of financial assets held by the Group are financial assets at amortized cost.

Financial assets measured at amortized costs

The Group's investment in financial assets is classified as financial assets carried at amortized cost if both of the following two conditions are met:

A. It is held under an operating model in which financial assets are held for the purpose of receiving contractual cash flows; and

- B. The terms of the contract generate cash flows on specific dates that are solely for the payment of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost, and refundable deposits), after initial recognition, are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss, and any foreign currency exchange gain or loss is recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases:

- A. For credit-impaired financial assets purchased or established, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.
- B. For financial assets that are not acquired or created but subsequently become impaired, interest income should be computed by multiplying the effective interest rate by the amortized cost of the financial assets from the next reporting period after the impairment is applied.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulties or defaulted, or where it is probable that the debtor will declare bankruptcy or other financial reorganization, or where an active market for the financial assets has disappeared due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed deposits with minimal risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The Group assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

Accounts receivables are recognized as a loss provision based on the expected credit loss over the period of survival. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit loss over 12 months. If there is a significant increase, a loss provision is recognized based on the expected credit loss over the remaining period.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults within 12 months after the reporting date of the financial instrument, and the ongoing, expected credit loss represents the expected credit loss arising from all possible defaults during the expected life of the financial instrument.

For internal credit risk management purposes, the Group determines, without regard to the collateral held, that a default on a financial asset has occurred in the following circumstances.

- A. There is internal or external information that indicates that the debtor is unlikely to be able to pay its debts.
- B. Financial assets are more than 365 days past due, unless there is reasonable and supportable information indicating that the basis for delayed default is more appropriate.

All impairment losses on financial assets are reversed by reducing the carrying amount through the provision account. However, the loss provision on investments in debt instruments at fair value through other comprehensive

income are recognized in other comprehensive income without reducing their carrying amount.

(3) De-recognition on financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the financial assets lapse or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When the financial asset is de-recognized as a whole at amortized cost, the difference between the carrying amount of the financial asset and the consideration received is recognized in profit or loss. When investments in debt instruments at fair value through other comprehensive income are de-recognized as a whole, the difference between the carrying amount of the investments and the sum of the consideration received and any accumulated gain or loss recognized in other comprehensive income is recognized in profit or loss. When investments in equity instruments measured at fair value through other comprehensive income are de-recognized as a whole, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified as profit or loss.

2. Financial liabilities

(1) Subsequent measurements

All financial liabilities are measured at amortized cost using the effective interest method, except for the following.

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit and loss are held for trading.

Financial liabilities held for trading are measured at fair value, and gains or losses arising from their re-measurement are recognized in other gains and losses.

For the determination of fair value, please refer to Note 27.

(2) De-recognition of financial liabilities

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

3. Derivatives

The derivative instruments entered into by the Group include forward foreign exchange contracts used to manage the Group's exchange rate risks.

Derivatives are initially recognized at fair value upon entering into derivative contracts and subsequently remeasured at fair value at the balance sheet date, with gains or losses arising from subsequent measurements recognized directly in profit or loss. However, for derivatives that are designated and are effective hedging instruments, the timing of their recognition in profit or loss will depend on the nature of the hedging. When the fair value of a derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

Derivatives that are embedded in asset master contracts within the scope of IFRS 9, "Financial Instruments", are used as a whole to determine the classification of financial assets. A derivative is considered to be a separate derivative if it is embedded in a master contract of an asset that is not within the scope of IFRS 9 (e.g., embedded in a master contract of a financial liability) and the embedded derivative meets the definition of a derivative, the risks and characteristics of which are not closely related to those of the master contract and the hybrid contract is not measured at fair value through profit or loss.

(XI) Revenue recognition

The Group allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

### Revenue from product sales

Revenue from product sales is from the manufacturing and sale of multi-resins. The Group recognizes revenue when the product is delivered and control of ownership is transferred. Advance receipt of payments for the sale of goods are recognized as contract liabilities before the products are delivered.

### (XII) Leases

The Group assesses whether a contract is (or contains) a lease at the contract inception date.

#### The Group as lessee

Right-of-use assets and lease liabilities are recognized at the lease commencement date for all leases, except for leases of low-value underlying assets and short-term leases to which the recognition exemption applies, where lease payments are recognized as expenses on a straight-line basis over the lease term.

The right-of-use asset is measured initially at cost (consisting of the original measurement amount of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct cost and estimated cost of restoration of the subject asset) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the re-measurement of the lease liability is adjusted. Right-of-use assets are presented separately in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease either to the end of the useful life or the end of the lease term, whichever occurs first.

Lease liabilities are measured initially at the present value of lease payments (primarily fixed payments). Lease payments are discounted using the interest rate implied by the lease if it is readily recognizable. If the rate is not readily identifiable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured at amortized cost basis using the effective interest method and interest expense is allocated over the lease term. If the lease term, the expected payment amount under the guarantee of residual value, the evaluation of the purchase option of the underlying assets or the index or rate used to determine the lease payment changes, which leads to a future lease payment change, the Group remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining re-measurement amount is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheet.

### (XIII) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that meet the criteria are included as part of the cost of the asset until substantially all of the activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned on the temporary investment from specific borrowings pending the occurrence of qualifying capital expenditures is deducted from the qualifying borrowing costs for capitalization.

Except for the above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### (XIV) Employee benefits

#### 1. Short-term employee benefits

Short-term employee benefit-related liabilities are measured at the non-discounted amount expected to be paid in exchange for employee services.

#### 2. Post-employment benefits

Payments to the defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

The defined benefit cost (including service cost, net interest and re-measurement) of the defined benefit pension plan is actuarially determined using the projected unit



benefit method. Service costs (including current service cost and previous service cost and settlement profit and loss) and the net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur, when the plan is revised or curtailed and when liquidation occurs. Re-measurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income as incurred and included in retained earnings, and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the appropriation deficit (surplus) of the defined benefit pension plan. The net defined benefit asset must not exceed the present value of the refund of appropriation from the plan or of the reduction of future appropriation.

3. Severance benefits

The Group recognizes a severance benefit liability when it can no longer withdraw its offer of severance benefits, or recognizes the associated restructuring costs, whichever is earlier.

(XV) Income tax

Income tax expense represents the sum of the current tax payable and deferred tax.

1. Current tax payable

The Group determines the current income (loss) in accordance with the regulations of each income tax filing jurisdiction and calculates the income tax payable (recoverable) accordingly.

Income tax on undistributed earnings calculated in accordance with the ROC Income Tax Act is recognized in the year when the shareholders resolve to retain the earnings.

Adjustments to prior years' income tax payable are to be included in the current period's income tax.

2. Deferred tax

Deferred income tax is computed on temporary differences between the carrying amounts of assets and liabilities and the tax basis of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which income tax credits can be utilized for temporary differences.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset. Deferred income tax assets that have not been recognized are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences of the manner in which the Group expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Income tax of the current period and deferred income tax

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

V. Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions

In adopting accounting policies, the Group's management is required to make judgments, estimates and assumptions that are based on historical experience and other relevant factors when relevant information is not readily available from other sources. Actual results may differ from estimates.

Key Sources of Estimation Uncertainty

(I) Estimated impairment of financial assets

The provision for impairment of account receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(II) Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

VI. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 140	\$ 140
Checking accounts and demand deposits	83,534	87,990
Cash equivalents		
Commercial paper	<u>280,957</u>	<u>249,937</u>
	<u>\$ 364,631</u>	<u>\$ 338,067</u>

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities - current</u>		
Derivative instruments		
(not specified for hedging)		
- FX forward contracts	<u>\$ 1,280</u>	<u>\$ 344</u>

The FX forward contracts on the balance sheet date that are not subject to hedge accounting and have not yet matured are as follows:

	<u>Currency</u>	<u>Maturity period</u>	<u>Contract amount (NTD thousand)</u>
<u>December 31, 2023</u>			
Purchase of FX forward contract	NTD to USD	November 3, 2023 ~ February 23, 2024	NTD18,089/USD564
Purchase of FX forward contract	NTD to USD	December 7, 2023 ~ March 29, 2024	NTD15,135/USD482
Purchase of FX forward contract	NTD to USD	December 8, 2023 ~ February 29, 2024	NTD1,156/USD37
Purchase of FX forward contract	NTD to USD	December 27, 2023 ~ March 21, 2024	NTD1,113/USD36

	Currency	Maturity period	Contract amount (NTD thousand)
<u>December 31, 2022</u>			
Purchase of FX forward contract	NTD to USD	November 7, 2022 ~ January 30, 2023	NTD7,704/USD240
Purchase of FX forward contract	NTD to USD	December 9, 2022 ~ March 1, 2023	NTD5,310/USD174
Purchase of FX forward contract	NTD to USD	December 19, 2022 ~ March 16, 2023	NTD1,004/USD33

The purpose of the engagement in FX forward contracts by the Group in 2023 and 2022 was to avoid the risk of foreign currency assets and liabilities arising from exchange rate fluctuations. The FX forward contracts held by the Group do not meet the effective hedging conditions, so hedge accounting is not applicable.

VIII. Financial assets measured at amortized costs

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity over 3 months	<u>\$ 99,000</u>	<u>\$ 99,000</u>

As of December 31, 2023 and December 31, 2022, the interest rate range of time deposits with original maturity over 3 months is 1.575% and 1.2%~1.325% per annum.

Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets measured at amortized cost.

The Group has no pledge of financial assets measured at amortized cost.

IX. Credit risk management of debt instrument investment

The debt instruments invested by the Group are financial assets measured at amortized cost:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
		<u>At amortized cost</u>
Total book value		\$ 99,000
Loss provision		-
Amortized cost		<u>\$ 99,000</u>
		<u>At amortized cost</u>
Total book value		\$ 99,000
Loss provision		-
Amortized cost		<u>\$ 99,000</u>

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial departments of the Group. As the trading counterparties and performing parties of the Group are all banks with good credit ratings and financial institutions or corporate organizations of investment grade or above, there is no major doubt of default, so there is no major credit risk.

The current credit risk rating mechanism of the Group and the total book value of debt instrument investment of each credit rating are as follows:

Credit rating	Definition	Recognition basis of expected credit loss	Expected credit loss rate	Total book amount on December 31, 2023	Total book amount on December 31, 2022
Normal	The debtor's credit risk is low, and the debtor is fully capable of paying off the contractual cash flow.	12-month expected credit loss	0%	<u>\$ 99,000</u>	<u>\$ 99,000</u>

X. Notes receivable, accounts receivable and collection

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
At amortized cost		
Arising from business	\$ <u>38,620</u>	\$ <u>35,616</u>
<u>Accounts receivable</u>		
At amortized cost		
Arising from business	\$ 109,959	\$ 115,739
Less: Loss allowance	( <u>2,498</u> )	( <u>493</u> )
	<u>\$ 107,461</u>	<u>\$ 115,246</u>

(I) Accounts receivable

The average credit period of the Group for commodity sales is 90 days, and the accounts receivable are not subject to interest. The policy adopted by the Group is to only conduct transactions with objects rated at or above the investment grade, and obtain sufficient guarantees when necessary to mitigate the risk of financial losses due to default. The Group will use other publicly available financial information and historical transaction records to rate its major customers. The Group continuously monitors the credit risk and the credit rating of the counterparty, and manages the credit risk through the annual review and approval of the counterparty's credit limit.

In order to mitigate the credit risk, the management of the Group assigned specialists to be responsible for the credit line decision, credit approval and other monitoring procedures to ensure that appropriate actions have been taken for the recovery of overdue receivables. In addition, the Group will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been provided with appropriate impairment losses.

The Group recognizes the loss provision of accounts receivable based on the expected credit loss during the existence period. The expected credit loss during the duration is calculated using the preparation matrix, which takes into account customers' past default records and current financial situation, the industrial economic situation, the GDP forecast and the unemployment rate. Because the historical experience of credit loss of the Group shows that there is no significant difference between the loss types of different customer groups, the preparation matrix does not further distinguish customer groups, and only sets the expected credit loss rate based on the number of days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, for example, the counterparty to the transaction is in liquidation or the debt has been established for more than 365 days, the Group will directly write off the relevant accounts receivable, but will continue the recovery activities. The amount recovered due to the recovery is recognized in profit or loss.

The following table details the loss allowance of accounts receivables based on the Group's provision matrix.

December 31, 2023

	<u>Account established for 1 to 90 days</u>	<u>Account established for 91 to 180 days</u>	<u>Account established for 181 to 365 days</u>	<u>Account established for over 365 days</u>	<u>Total</u>
Total book value	\$ 97,699	\$ 10,144	\$ -	\$ 2,116	\$ 109,959
Loss allowance (lifetime ECLs)	( <u>277</u> )	( <u>105</u> )	-	( <u>2,116</u> )	( <u>2,498</u> )
Amortized cost	<u>\$ 97,422</u>	<u>\$ 10,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,461</u>

December 31, 2022

	<u>Account established for 1 to 90 days</u>	<u>Account established for 91 to 180 days</u>	<u>Account established for 181 to 365 days</u>	<u>Account established for over 365 days</u>	<u>Total</u>
Total book value	\$ 109,084	\$ 6,655	\$ -	\$ -	\$ 115,739
Loss allowance (lifetime ECLs)	( <u>193</u> )	( <u>300</u> )	-	-	( <u>493</u> )
Amortized cost	<u>\$ 108,891</u>	<u>\$ 6,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,246</u>

The provision for losses of accounts receivable is calculated according to the expected credit loss rate of each age range, and the expected credit loss rate for the years ended December 31, 2023 and December 31, 2022 is 0.17%~100% and 0.17%~4.51%, respectively.

Changes in loss provision on accounts receivable:

	2023	2022
Beginning balance	\$ 493	\$ 3,953
Add: Provision for impairment loss for the current year	2,005	-
Less: Reversal of impairment loss for the current year	-	( 3,460 )
Ending balance	<u>\$ 2,498</u>	<u>\$ 493</u>

(II) Collections (listed under other non-current assets)

Information on the change in provision for bad debts from collections is as follows:

	2023	2022
Beginning balance	\$ 24,619	\$ 25,219
Less: Reversal of impairment loss	( 600 )	( 600 )
Ending balance	<u>\$ 24,019</u>	<u>\$ 24,619</u>

As of December 31, 2023 and December 31, 2022, the amount of loss provision included individual impaired accounts receivable in significant financial difficulties, amounting to NTD24,019 thousand and NTD24,619 thousand, respectively, which had been transferred to collections (listed under other non-current assets). The Group does not hold any collateral for these receivable balances.

XI. Inventory

	December 31, 2023	December 31, 2022
Raw materials	\$ 118,963	\$ 134,075
Work-in-progress	55	4,390
Finished goods	98,964	110,372
Goods	167	-
	<u>\$ 218,149</u>	<u>\$ 248,837</u>

The nature of cost of goods sold is as follows:

	2023	2022
Cost of inventory sold	\$ 684,572	\$ 1,064,284
Inventory write-downs (reversed)	( 16,785 )	20,683
	<u>\$ 667,787</u>	<u>\$ 1,084,967</u>

XII. Subsidiary

Subsidiaries included in consolidated financial statements

The entities of the consolidated financial report are as follows:

Name of the investor	Investee	Main Business	% of Ownership	
			December 31, 2023	December 31, 2022
Yong Shun Chemical Co., Ltd.	Sun Yang Global Co., Ltd.	The manufacturing and sales of synthetic resins, plastics, coatings, paints, industrial additives, other chemical materials and other plastic products, and the procurement of raw materials for self use and the import and export of finished products related to the business referred to above.	100%	100%

The financial statements of Sun Yang Global Co., Ltd. are prepared in accordance with the company's financial statements audited by a CPA for the same period.

XIII. Property, plant, and equipment

	Land	Building	Machinery equipment	Transportation equipment	Office equipment	Leased improvements	Other equipment	Total
<u>Cost</u>								
Balance on January 1, 2023	\$ 276,190	\$ 148,696	\$ 518,255	\$ 14,702	\$ 12,884	\$ 6,739	\$ 62,293	\$ 1,039,759
Increase	-	21,517	8,029	900	918	806	1,356	33,526
Disposals	-	-	( 13,856)	( 680)	( 718)	-	( 2,798)	( 18,052)
Reclassification	-	-	1,843	-	-	-	-	1,843
Balance on December 31, 2023	<u>\$ 276,190</u>	<u>\$ 170,213</u>	<u>\$ 514,271</u>	<u>\$ 14,922</u>	<u>\$ 13,084</u>	<u>\$ 7,545</u>	<u>\$ 60,851</u>	<u>\$ 1,057,076</u>
<u>Cumulative depreciation</u>								
Balance on January 1, 2023	\$ -	\$ 111,855	\$ 496,391	\$ 12,365	\$ 9,863	\$ 4,709	\$ 56,847	\$ 692,030
Depreciation expenses	-	3,645	6,074	411	1,010	846	1,569	13,555
Disposals	-	-	( 13,856)	( 680)	( 718)	-	( 2,798)	( 18,052)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 115,500</u>	<u>\$ 488,609</u>	<u>\$ 12,096</u>	<u>\$ 10,155</u>	<u>\$ 5,555</u>	<u>\$ 55,618</u>	<u>\$ 687,533</u>
Net on December 31, 2023	<u>\$ 276,190</u>	<u>\$ 54,713</u>	<u>\$ 25,662</u>	<u>\$ 2,826</u>	<u>\$ 2,929</u>	<u>\$ 1,990</u>	<u>\$ 5,233</u>	<u>\$ 369,543</u>
<u>Cost</u>								
Balance on January 1, 2022	\$ 276,190	\$ 148,382	\$ 514,296	\$ 15,444	\$ 12,264	\$ 6,515	\$ 59,730	\$ 1,032,821
Increase	-	314	5,803	1,790	1,456	224	2,852	12,439
Disposals	-	-	( 2,159)	( 2,532)	( 836)	-	( 289)	( 5,816)
Reclassification	-	-	315	-	-	-	-	315
Balance on December 31, 2022	<u>\$ 276,190</u>	<u>\$ 148,696</u>	<u>\$ 518,255</u>	<u>\$ 14,702</u>	<u>\$ 12,884</u>	<u>\$ 6,739</u>	<u>\$ 62,293</u>	<u>\$ 1,039,759</u>
<u>Cumulative depreciation</u>								
Balance on January 1, 2022	\$ -	\$ 108,003	\$ 491,638	\$ 14,442	\$ 9,446	\$ 3,961	\$ 55,823	\$ 683,313
Depreciation expenses	-	3,852	6,895	455	1,253	748	1,313	14,516
Disposals	-	-	( 2,142)	( 2,532)	( 836)	-	( 289)	( 5,799)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 111,855</u>	<u>\$ 496,391</u>	<u>\$ 12,365</u>	<u>\$ 9,863</u>	<u>\$ 4,709</u>	<u>\$ 56,847</u>	<u>\$ 692,030</u>
Net on December 31, 2022	<u>\$ 276,190</u>	<u>\$ 36,841</u>	<u>\$ 21,864</u>	<u>\$ 2,337</u>	<u>\$ 3,021</u>	<u>\$ 2,030</u>	<u>\$ 5,446</u>	<u>\$ 347,729</u>

The Group's property, plant and equipment listed on December 31, 2023 and December 31, 2022 have been evaluated and there was no indication of impairment.

There was no interest capitalization on the property, plant and equipment of the Group in 2023 and 2022.

Depreciation expense is accrued on a straight-line basis for the following years of service:

Building	
Main building	20 to 50 years
Decoration work, etc.	3 to 10 years
Machinery equipment	3 to 16 years
Transportation equipment	3 to 7 years
Office equipment	3 to 5 years
Leased improvements	1 to 15 years
Other equipment	2 to 10 years

Please refer to Note 29 for the amount of property, plant and equipment pledged as loan collateral.

XIV. Lease arrangements

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Right-of-use assets amounts		
Buildings	<u>\$ 26,684</u>	<u>\$ 34,627</u>
	<u>2023</u>	<u>2022</u>
Increase in the right-of-use assets	<u>\$ -</u>	<u>\$ 40,189</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 7,943</u>	<u>\$ 7,998</u>

(II)	Lease liabilities	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Lease liabilities amounts		
	Current	\$ <u>6,964</u>	\$ <u>6,847</u>
	Non-current	\$ <u>17,261</u>	\$ <u>24,224</u>

The range of discount rate for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.484% ~ 1.997%	1.484% ~ 1.997%

(III)	Other lease agreements	<u>2023</u>	<u>2022</u>
	Short term lease expense	\$ <u>631</u>	\$ <u>590</u>
	Total cash outflow from lease	( \$ <u>7,959</u> )	( \$ <u>7,918</u> )

The Group chooses to apply the recognition exemption to the leases of houses and buildings that meet the short-term lease criteria, and does not recognize the relevant right-of-use assets and lease liabilities for such leases.

(IV)	Provision for liabilities	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Cost of decommissioning, remediation and restoration	\$ <u>4,627</u>	\$ <u>4,627</u>

Provision for decommissioning, remediation, and restoration costs is based on historical experience and management's judgment of the likely demolition and relocation costs estimated. Such estimates may vary with the use of property, plant, and equipment.

XV.	<u>Other assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Current</u>		
	Other receivables		
	Interest receivable	\$ 67	\$ 54
	Business tax refund receivable	457	70
	Other	35	38
	Provisional payment	<u>436</u>	<u>290</u>
		\$ <u>995</u>	\$ <u>452</u>
	<u>Non-current</u>		
	Collection	\$ 24,019	\$ 24,619
	Less: Provision for bad debts	( <u>24,019</u> )	( <u>24,619</u> )
		\$ <u>-</u>	\$ <u>-</u>

XVI.	<u>Borrowings</u>		
(I)	Short-term borrowing	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Unsecured loans</u>		
	- Credit loans	\$ <u>43,000</u>	\$ <u>34,000</u>

The interest rates of bank revolving loans as of December 31, 2023 and December 31, 2022 were 2.20%~2.56% and 1.625%~2.30%, respectively.

(II)	Short-term notes payable	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Bank acceptances	\$ <u>32,130</u>	\$ <u>12,714</u>

Outstanding short-term notes payable were as follows:  
December 31, 2023

<u>Guarantee/acceptance institution</u>	<u>Book value</u>	<u>Original currency amount (USD)</u>	<u>Name of collateral</u>	<u>Book value of collateral</u>
<u>Bank acceptances</u>				
Hua Nan Bank	\$ 32,130	\$ 1,046	None	\$ -

December 31, 2022

<u>Guarantee/acceptance institution</u>	<u>Book value</u>	<u>Original currency amount (USD)</u>	<u>Name of collateral</u>	<u>Book value of collateral</u>
<u>Bank acceptances</u>				
Mega International Commercial Bank	\$ 5,344	\$ 174	None	\$ -
Taiwan Cooperative Bank	7,370	240	None	-
	\$ 12,714	\$ 414		\$ -

XVII. Notes and accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes payable</u>		
Arising from business	\$ 5,618	\$ 4,121
<u>Accounts payable</u>		
Arising from business	\$ 22,631	\$ 24,526

Accounts payable are paid at the agreed time in the contract. The Group has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

XVIII. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
<u>Other payables</u>		
Directors' remuneration payable	\$ 646	\$ -
Employees' remuneration payable	428	-
Remuneration payable to employees of subsidiaries	-	21
Salary and bonus payable	18,618	18,734
Equipment payables	1,995	2,409
Other	7,884	7,728
	\$ 29,571	\$ 28,892

XIX. Retirement benefit plans

(I) Defined contribution plans

The pension system of the "Labor Pension Act" applicable to the Company and Sun Yang Global Co., Ltd. of the Group is a definite retirement plan managed by the government. 6% of the employee's monthly salary is appropriated to employees' individual account at the Bureau of Labor Insurance.



(II) Defined benefit plans

The pension system of the Group in accordance with the country's "Labor Standards Act" is a government-administered defined-benefit retirement plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Group allocates 10% of the total monthly salary of the employees to the pension, and hands it over to the Labor Retirement Reserve Supervision Committee to deposit it into the special account of the Bank of Taiwan in the name of the committee. Before the end of the year, if it is estimated that the balance of the special account is not sufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be provided in one go by the end of March of the next year. The special account is entrusted to the Bureau of Labor Fund of the Ministry of Labor for management, and the Group has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the consolidated balance sheet are shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 60,434	\$ 66,019
Fair value of plan assets	( <u>54,221</u> )	( <u>55,553</u> )
Net defined benefit liabilities	<u>\$ 6,213</u>	<u>\$ 10,466</u>

Changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2023	<u>\$ 66,019</u>	( <u>\$ 55,553</u> )	<u>\$ 10,466</u>
Service cost			
Service costs for the current period	407	-	407
Interest expense (revenue)	<u>908</u>	( <u>777</u> )	<u>131</u>
Recognized as loss (profit)	<u>1,315</u>	( <u>777</u> )	<u>538</u>
Re-measurement			
Compensation for planned assets (excluding the amount included in net interest)	-	( 415 )	( 415 )
Actuarial (gain) loss			
Changes in financial assumptions	938	-	938
Adjustment based on past experience	( <u>3,380</u> )	-	( <u>3,380</u> )
Recognized in other comprehensive income	( <u>2,442</u> )	( <u>415</u> )	( <u>2,857</u> )
Employer contribution	<u>-</u>	( <u>1,934</u> )	( <u>1,934</u> )
Benefit paid	( <u>4,458</u> )	<u>4,458</u>	<u>-</u>
Balance on December 31, 2023	<u>\$ 60,434</u>	( <u>\$ 54,221</u> )	<u>\$ 6,213</u>

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2022	\$ 73,393	(\$ 56,030)	\$ 17,363
Service cost			
Service costs for the current period	624	-	624
Interest expense (revenue)	459	( 356)	103
Recognized as loss (profit)	1,083	( 356)	727
Re-measurement			
Compensation for planned assets (excluding the amount included in net interest)	-	( 4,898)	( 4,898)
Actuarial loss (gain)			
Changes in financial assumptions	( 2,317)	-	( 2,317)
Adjustment based on past experience	1,524	-	1,524
Recognized in other comprehensive income	( 793)	( 4,898)	( 5,691)
Employer contribution	-	( 1,933)	( 1,933)
Benefit paid	( 7,664)	7,664	-
Balance on December 31, 2022	\$ 66,019	(\$ 55,553)	\$ 10,466

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	2023	2022
Operating costs	\$ 338	\$ 452
Operating expenses	200	275
	\$ 538	\$ 727

The Group is exposed to the following risks as a result of the "Labor Standards Act" pension system:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor invests labor pension funds in domestic (foreign) equity and debt securities and bank deposits through self-operation and entrusted management, but the Group's distributable amount of the plans' assets is the income calculated at not lower than the 2-year fixed deposit interest rate of the local bank.
2. Interest rate risk: The decrease in interest rates of government/corporate bonds will increase the present value of the defined benefit obligation, but the return on the debt investment of the planned assets will also increase; the impact of the two on the net defined benefit liabilities is partially offset.
3. Salary risk: For the calculation of the present value of defined benefit obligations, reference is made to the future salaries of the members of the plans. Therefore, increases in plan members' salaries will result in an increase in the present value of the defined benefit obligation.

The present value of the Group's defined benefit obligation was actuarially determined by a qualified actuary with the following significant assumptions as of the measurement date.

	December 31, 2023	December 31, 2022
Discount rate	1.125%	1.375%
Expected rate of salary increase	2.250%	2.250%

If there are reasonable possible changes in significant actuarial assumptions, the amount by which the present value of the defined benefit obligation would increase (decrease), with all other assumptions held constant, is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	( \$ 938 )	( \$ 1,094 )
0.25% decrease	\$ 965	\$ 1,126
Expected rate of salary increase		
0.25% increase	\$ 940	\$ 1,099
0.25% decrease	( \$ 918 )	( \$ 1,073 )

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation, because the actuarial assumptions may be correlated and changes in only one assumption are not probable.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount expected to be appropriated within 1 year	\$ 1,920	\$ 1,920
Average period of defined benefit obligation to maturity	6.3 years	6.8 years

XX. Equity

(I) Common share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized ordinary shares (in thousands)	<u>61,056</u>	<u>61,056</u>
Authorized capital	<u>\$ 610,560</u>	<u>\$ 610,560</u>
Issued and paid ordinary shares (in thousands)	<u>61,056</u>	<u>61,056</u>
Issued capital	<u>\$ 610,560</u>	<u>\$ 610,560</u>

The par value of each issued common share is NTD10; each share has one voting right and the right to receive dividends.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed cash dividend or transferred to shares (1)</u>		
Treasury stock trading	\$ 52,541	\$ 52,541
Donated assets	<u>768</u>	<u>768</u>
	<u>\$ 53,309</u>	<u>\$ 53,309</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. Please refer to Note 22(7) employees' remuneration and

directors' remuneration for the distribution policy of employees' remuneration and directors' remuneration stipulated in the Articles of Association.

The company adopts a fixed and residual dividend policy for sustainable operation, sustainable growth and long-term financial planning based on the overall environment and the characteristics of the industrial development. Shareholders' dividends are distributed annually from the distributable surplus. The cash dividends are maintained between 10% and 90%, but may be adjusted according to changes in the internal and external business environment.

Distribution of earnings to the legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company sets aside and reverses special reserves in accordance with the requirements of the letters referenced Jin-Guan-Cheng-Fa No. 1010012865 and Jin-Guan-Cheng-Fa No. 1010047490, and "Questions and Answers on the Applicability of Appropriation of Special Reserves After Adoption of International Financial Reporting Standards (IFRSs)".

The Company's general shareholders' meeting on June 19, 2023 and June 9, 2022 respectively passed resolutions on the following earnings distribution schemes for 2022 and 2021:

	2022	2021
Legal reserve	\$ <u>-</u>	\$ <u>7,581</u>
Cash dividends	\$ <u>30,528</u>	\$ <u>61,056</u>
Cash dividends per share (NTD)	\$ <u>0.50</u>	\$ <u>1.00</u>

The Company's board meeting on March 11, 2024 proposed the following earnings distribution of 2023:

	2023
Legal reserve	\$ <u>2,066</u>
Cash dividends	\$ <u>30,528</u>
Cash dividends per share (NTD)	\$ <u>0.50</u>

The earnings distribution scheme for 2023 is pending the resolution of the general shareholders' meeting expected to be held in June 2024.

XXI. Revenue

	2023	2022
Revenues from sale of merchandise	\$ <u>768,731</u>	\$ <u>1,134,234</u>

(I) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 10)	\$ <u>38,620</u>	\$ <u>35,616</u>	\$ <u>42,776</u>
Accounts receivable (Note 10)	\$ <u>107,461</u>	\$ <u>115,246</u>	\$ <u>213,418</u>
Contractual liabilities			
Goods sold	\$ <u>917</u>	\$ <u>9,262</u>	\$ <u>4,496</u>

(II) Breakdown of revenue from contracts with customers

Please refer to Note 33 for the breakdown of revenue.

XXII. Net profit (loss) for the year

(I) Interest income

	2023	2022
Cash in banks	\$ 1,741	\$ 1,021
Financial assets measured at amortized costs	<u>2,690</u>	<u>992</u>
	<u>\$ 4,431</u>	<u>\$ 2,013</u>

(II)	Other income	2023	2022
	Grant revenue	\$ -	\$ 604
	Other	95	51
		<u>\$ 95</u>	<u>\$ 655</u>
(III)	Other gains and losses	2023	2022
	Gain on disposal of property, plant, and equipment	\$ 40	\$ 180
	Net foreign currency exchange benefits	1,989	2,152
	Net loss of financial liabilities at fair value through profit or loss	( 936 )	( 156 )
	Other	( 2 )	-
		<u>\$ 1,091</u>	<u>\$ 2,176</u>
(IV)	Finance costs	2023	2022
	Interest on bank loans	\$ 978	\$ 718
	Interest on lease liabilities	482	347
		<u>\$ 1,460</u>	<u>\$ 1,065</u>
(V)	Depreciation and amortization	2023	2022
	An analysis of depreciation by function		
	Operating costs	\$ 19,747	\$ 20,520
	Operating expenses	1,751	1,994
		<u>\$ 21,498</u>	<u>\$ 22,514</u>
	An analysis of amortization by function		
	Operating expenses	<u>\$ 93</u>	<u>\$ 50</u>
(VI)	Employee benefits expense	2023	2022
	Short-term employee benefits		
	Salary expense	\$ 95,999	\$ 95,615
	Employee insurance expense	9,661	9,504
	Post-employment benefits (Note 19)		
	Defined contribution plans	3,591	3,500
	Defined benefit plans	538	727
	Severance benefits	-	321
	Other employee benefits	5,368	5,315
	Total employee benefits expense	<u>\$ 115,157</u>	<u>\$ 114,982</u>
	An analysis by function		
	Operating costs	\$ 71,229	\$ 72,913
	Operating expenses	43,928	42,069
		<u>\$ 115,157</u>	<u>\$ 114,982</u>

(VII) Employees' and directors' remuneration

In accordance with the Articles of Association, the Company appropriates 1% to 3% of the balance as the employees' remuneration, and no more than 4% as the directors' remuneration. The resolutions on the employees' and directors' remuneration for 2023 by the board meetings on March 11, 2024 are as follows:

Ratio

	<u>2023</u>
Employees' remuneration	1.69%
Directors' remuneration	2.55%

Amount

	<u>2022</u>	
	<u>Cash</u>	<u>Stocks</u>
Employees' remuneration	\$ 428	\$ -
Directors' remuneration	646	-

As the Company suffered a loss before tax in 2022, remuneration to employees and directors were not estimated.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the following year.

There is no difference between the actual distribution amount of employees' and directors' remuneration in 2022 and 2021 and the amount recognized in the consolidated financial statements in 2022 and 2021.

For information on the employees' and directors' remuneration in accordance with the resolutions of the board meeting of the Company in 2023 and 2022, please visit the "MOPS" of the Taiwan Stock Exchange.

XXIII. Income tax

(I) The main components of income tax expenses (income) recognized in profit/loss

	<u>2023</u>	<u>2022</u>
Current tax payable		
Generated in the current period	\$ 113	\$ -
R&D expenditures offset in the current year	( 34 )	-
Income tax on undistributed earnings	-	402
Adjustments of prior years	<u>379</u>	<u>569</u>
	<u>458</u>	<u>971</u>
Deferred tax		
Generated in the current period	<u>4,926</u>	( <u>5,135</u> )
Income tax expenses (income) recognized in profit or loss	<u>\$ 5,384</u>	( <u>\$ 4,164</u> )

A reconciliation of accounting income to current income tax expense (income) is as follows:

	<u>2023</u>	<u>2022</u>		
Net profit (loss) before tax	\$ <u>23,762</u>	(\$ <u>23,355</u> )		
Income tax on net profit (loss) before tax at the statutory tax rate	\$ 4,304	(\$ 4,467)		
Nondeductible expenses in determining taxable income	514	-		
Tax-exempt income	-	( 204)		
Surtax on undistributed earnings	-	402		
Unrecognized deductible temporary differences	130	( 464)		
Unrecognized loss carryforwards	91	-		
R&D expenditures offset in the current year	( 34)	-		
Adjustments to income tax expenses of prior years	<u>379</u>	<u>569</u>		
Income tax expenses (income) recognized in profit or loss	<u>\$ 5,384</u>	<u>(\$ 4,164)</u>		
(II) Income tax recognized in other comprehensive income	<u>2023</u>	<u>2022</u>		
<u>Deferred tax</u>				
Generated in the current period				
- Remeasurement of defined benefit obligation	\$ <u>571</u>	\$ <u>1,138</u>		
Income tax recognized in other comprehensive income	<u>\$ 571</u>	<u>\$ 1,138</u>		
(III) Income tax assets and liabilities of the current period	<u>December 31, 2023</u>	<u>December 31, 2022</u>		
Current tax assets				
Income tax receivable	\$ <u>8,494</u>	\$ <u>8,274</u>		
Income tax liabilities of the period				
Income tax payable	<u>\$ -</u>	<u>\$ 247</u>		
(IV) Deferred income tax assets and liabilities				
Changes in deferred income tax assets and liabilities:				
<u>2023</u>				
	<u>Beginning balance</u>	<u>Recognized as loss (profit)</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Financial liabilities at fair value through profit or loss	\$ 69	\$ 187	\$ -	\$ 256
Provision for bad debts	4,617	342	-	4,959
Write-down of inventories	6,471	( 3,357 )	-	3,114
Impairment loss	136	-	-	136
Unrealized gross sales profit of inventory in transit	421	93	-	514
Unrealized gross profit of goods sold to subsidiaries	1	15	-	16
Unrealized exchange loss	102	( 60 )	-	42
Financial assets measured at cost	7,591	-	-	7,591
Defined-benefit retirement plan	2,396	( 279 )	-	2,117
Others	186	185	-	371
Loss deduction	<u>14,108</u>	<u>( 1,528 )</u>	<u>-</u>	<u>12,580</u>
	<u>\$ 36,098</u>	<u>( \$ 4,402 )</u>	<u>\$ -</u>	<u>\$ 31,696</u>

	Beginning balance	Recognized as loss (profit)	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax liabilities</u>				
Temporary difference				
Property, plant, and equipment	\$ 45,365	\$ -	\$ -	\$ 45,365
Unrealized gross sales profit of inventory in transit	331	294	-	625
Defined-benefit retirement plan	303	-	571	874
Unrealized exchange gains	-	230	-	230
	<u>\$ 45,999</u>	<u>\$ 524</u>	<u>\$ 571</u>	<u>\$ 47,094</u>

## 2022

	Beginning balance	Recognized as loss (profit)	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Financial liabilities at fair value through profit or loss	\$ 38	\$ 31	\$ -	\$ 69
Provision for bad debts	5,248	( 631 )	-	4,617
Write-down of inventories	2,335	4,136	-	6,471
Impairment loss	136	-	-	136
Unrealized gross sales profit of inventory in transit	1,548	( 1,127 )	-	421
Unrealized gross profit of goods sold to subsidiaries	83	( 82 )	-	1
Unrealized exchange loss	8	94	-	102
Financial assets measured at cost	7,591	-	-	7,591
Defined-benefit retirement plan	3,473	( 242 )	( 835 )	2,396
Others	-	186	-	186
Loss deduction	12,580	1,528	-	14,108
	<u>\$ 33,040</u>	<u>\$ 3,893</u>	<u>( \$ 835 )</u>	<u>\$ 36,098</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Property, plant, and equipment	\$ 45,365	\$ -	\$ -	\$ 45,365
Unrealized gross sales profit of inventory in transit	1,553	( 1,222 )	-	331
Defined-benefit retirement plan	-	-	303	303
Unrealized exchange gains	20	( 20 )	-	-
	<u>\$ 46,938</u>	<u>( \$ 1,242 )</u>	<u>\$ 303</u>	<u>\$ 45,999</u>

(V) Unused loss deduction amount and unused investment offsetting amounts not recognized in deferred income tax assets in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Loss deduction		
Due in 2023	\$ -	\$ 1,691
Due in 2024	12,990	12,990
Due in 2029	5,539	5,539
Due in 2033	456	-
	<u>\$ 18,985</u>	<u>\$ 20,220</u>
Investment offsets		
R&D expenditures	<u>\$ -</u>	<u>\$ 557</u>

(VI) Information on the unused loss deduction of the Group

As of December 31, 2023, the relevant information on loss deduction is as follows:

Undeducted balance	Last deduction year
\$ 12,990	2024
19,671	2025
23,330	2027
19,899	2028
5,539	2029
456	2033
<u>\$ 81,885</u>	



(VII) Income tax assessments

The Company's profit-seeking enterprise income tax declaration has been approved by the tax collection authority up to and including 2021.

The profit-seeking enterprise income tax declaration of Sun Yang Global Co., Ltd. under the Group has been approved by the tax collection authority up to and including 2021.

XXIV. Earnings (losses) per share

	2023	Unit: NTD Per Share 2022
Basic earnings (loss) per share	<u>\$ 0.30</u>	<u>( \$ 0.31 )</u>
Diluted earnings (loss) per share	<u>\$ 0.30</u>	<u>( \$ 0.31 )</u>

The earnings (loss) and the weighted average number of common shares issued for the calculation of earnings (loss) per share are as follows:

Net profit (loss) for the year

	2023	2022
Net profit (loss) used to calculate basic earnings (loss) per share	<u>\$ 18,378</u>	<u>( \$ 19,191 )</u>
Net profit (loss) used to calculate diluted earnings (loss) per share	<u>\$ 18,378</u>	<u>( \$ 19,191 )</u>

Number of shares

	2023	Unit: Thousand Shares 2022
Weighted average number of ordinary shares in the computation of basic earnings (losses) per share	61,056	61,056
Effect of potentially dilutive ordinary shares:		
Employees' remuneration	<u>26</u>	<u>19</u>
Weighted average number of ordinary shares in the computation of diluted earnings (losses) per share	<u>61,082</u>	<u>61,075</u>

If the Group has the option to pay employees' remuneration in shares or cash, the calculation of diluted earnings per share is based on the assumption that the employees' remuneration will be issued in shares, and the weighted average number of outstanding shares will be included in the calculation of diluted earnings (losses) per share when the potential common shares are diluted. Such a dilutive effect of the potential shares is included in the employees' compensation of diluted earnings (losses) per share until the shareholders resolve the number of ordinary shares to be distributed to employees at their meeting in the following year.

XXV. Cash flow information

(I) Non-cash transactions

1. On December 31, 2023, the Group acquired property, plant and equipment with a total fair value of NTD33,526 thousand. The total amount of equipment payable in other payables decreased by NTD414 thousand, and the cash paid for the purchase of property, plant and equipment totaled NTD33,940 thousand (please refer to Notes 13 and 18).
2. On December 31, 2022, the Group acquired property, plant and equipment with a total fair value of NTD12,439 thousand. The total amount of equipment payable in other payables increased by NTD2,409 thousand, and the cash paid for the purchase of property, plant and equipment totaled NTD10,030 thousand (please refer to Notes 13 and 18).

(II) Changes in liabilities from financial activities  
2023

	January 1, 2023	Cash flow	New lease	Non-cash variables Interest expense	December 31, 2023
Short-term borrowing	\$ 34,000	\$ 9,000	\$ -	\$ -	\$ 43,000
Short-term notes payable	12,714	19,416	-	-	32,130
Lease liabilities	31,071	( 7,328 )	-	482	24,225
	<u>\$ 77,785</u>	<u>\$ 21,088</u>	<u>\$ -</u>	<u>\$ 482</u>	<u>\$ 99,355</u>

2022

	January 1, 2022	Cash flow	New lease	Non-cash variables Interest expense	December 31, 2022
Short-term borrowing	\$ 69,913	(\$ 35,913 )	\$ -	\$ -	\$ 34,000
Short-term notes payable	30,005	( 17,291 )	-	-	12,714
Lease liabilities	2,490	( 7,328 )	35,562	347	31,071
	<u>\$ 102,408</u>	<u>( \$ 60,532 )</u>	<u>\$ 35,562</u>	<u>\$ 347</u>	<u>\$ 77,785</u>

XXVI. Capital management

The Group conducts capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances on the premises of continuing operation.

The Group adopts a prudent risk management strategy and conducts regular reviews, and makes an overall plan based on business development strategies and operational needs to determine the appropriate capital structure for the Group.

XXVII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The management of the Group considers that as the maturity date of the carrying amount of financial assets and financial liabilities not measured at fair value is near, or that the future payment price is equivalent to the carrying amount, the carrying amount is close to its fair value.

(II) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Derivatives	\$ -	\$ 1,280	\$ -	\$ 1,280

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Derivatives	\$ -	\$ 344	\$ -	\$ 344

There was no transfer between level 1 and level 2 fair value measurements in 2023 and 2022.

2. Evaluation technology and input value of level 2 fair value measurement

Types of financial instruments	Evaluation technology and input value
Derivative instrument - FX forward contract	Discounted cash flow method: The future cash flow is estimated at the observable forward exchange rate at the end of the period and the exchange rate set in the contract, and discounted respectively at a discount rate that can reflect the credit risk of each counterparty.

## (III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets measured at		
amortized cost		
Cash and cash equivalents	\$ 364,631	\$ 338,067
Financial assets measured at		
amortized costs - current	99,000	99,000
Notes receivable	38,620	35,616
Accounts receivable	107,461	115,246
Other receivables	559	162
Refundable deposits	2,022	2,022
<u>Financial liabilities</u>		
Measured at cost after		
amortization		
Short-term borrowing	43,000	34,000
Short-term notes payable	32,130	12,714
Notes payable	5,618	4,121
Accounts payable	22,631	24,526
Other payables	29,571	28,892
Financial liabilities at fair value		
through profit or loss	1,280	344

## (IV) Financial risk management objective and policies

The financial instruments of the Group include equity investment, accounts receivable, accounts payable and loans. The Group is committed to ensuring sufficient and cost-effective working capital when necessary. The Group prudently manages the foreign currency exchange rate risk, interest rate risk, equity instrument price risk, credit risk and liquidity risk related to the operating activities, in order to reduce the potential adverse impact of market uncertainty on the Group's finance.

The important financial planning of the Group has been reviewed by the board meeting in accordance with relevant norms and internal control systems. In carrying out financial planning, the Finance Department of the Group strictly abides by the relevant financial operation procedures related to the overall financial risk management and the division of rights and responsibilities.

## 1. Market risk

The financial risk caused by the operating activities of the Group to itself are the foreign currency exchange rate change risk and the interest rate change risk. The Group uses various derivative financial instruments to manage the foreign currency exchange rate risk.

## (1) Foreign currency risk

The Group engages in sales and purchase transactions denominated in foreign currencies, thus causing the Group to be exposed to foreign currency exchange rate changes. In order to avoid fluctuations in future cash flows due to changes in foreign currency exchange rates, the Group uses FX forward contracts to avoid foreign currency exchange rate risks. The Group also borrows short-term foreign currency loans to offset part of the foreign currency exchange rate risks arising from transaction conversion. The use of derivative financial instruments such as FX forward contracts can help the Group reduce but still cannot completely exclude the impact of foreign currency exchange rate changes.

Please refer to Note 31 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies of the Group on the balance sheet date.

### Sensitivity analysis

The sensitivity analysis of the foreign currency exchange rate risk is mainly calculated for foreign currency monetary items at the end of the reporting period. When the New Taiwan dollar appreciates by 5% against foreign currencies, the Group's net profit before tax in 2023 will increase by NTD727 thousand and net loss before tax in 2022 will increase by NTD219 thousand, respectively; when the New Taiwan dollar depreciates by 5% against the foreign currency, the impact on the Group's net profit (loss) before tax in the years 2023 and 2022 will be a negative number of the same amount.

#### (2) Interest rate risk

Interest rate exposure occurs because individual entities of the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the financial assets and financial liabilities of the Group exposed to interest rate exposure on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
-Financial assets	\$ 379,957	\$ 348,937
-Financial liabilities	32,130	12,714
Cash flow interest rate risk		
-Financial assets	83,534	87,990
-Financial liabilities	43,000	34,000

### Sensitivity analysis

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments on the balance sheet date. For floating rate liabilities, the analysis method assumes that all the amount of liabilities circulating on the balance sheet date is circulating during the reporting period. The rate of change used in reporting interest rates to the key management of the Group is an increase or decrease of one hundred basis points (1%) in interest rates, which also represents the management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases by one hundred basis points (1%), with all other variables remaining unchanged, the Group's net profit before tax in 2023 will increase by NTD405 thousand and net loss before tax in 2022 will decrease by NTD540 thousand, respectively, mainly because of the interest rate change position risk arising from the bank borrowings of the Group with floating interest rates.

#### (3) Other price risks

The Group has equity price exposure due to equity securities investments. The equity investments are not held for trading but are strategic investments; the Group does not actively trade these investments and the management manages risk by holding a portfolio of investments with different risks. In addition, the Group assigns a designated team to monitor price risks and assess when it is necessary to increase positions with hedged risks.

### Sensitivity analysis

The following sensitivity analysis is based on equity price risk exposure on the balance sheet date. If the price of equity increases/decreases by 5%, the pre-tax profit/loss in 2023 and 2022 will decrease/increase due to an increase/decrease in the fair value of financial liabilities measured at fair value through profit or loss by NTD64 thousand and NTD17 thousand, respectively.

The Group's sensitivity to equity securities investments have not changed significantly from the previous year.

#### 2. Credit risk

Credit risk refers to the potential impact of the counterparty's failure to perform its contractual obligations on the Group's financial losses. As of the balance sheet date,

the maximum credit risk exposure of the Group that may result in financial losses due to the counterparty's failure to perform its obligations is mainly from the book value of financial assets recognized in the consolidated balance sheet.

The receivables of the Group cover many customers, and most of the receivables do not have collaterals. The Group continuously evaluates the financial status of customers with accounts receivable to reduce the credit risk of accounts receivable, and reviews the recoverable amount of accounts receivable one by one on the balance sheet date to ensure appropriate impairment losses have been provided for uncollectable receivables.

### 3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to meet operating needs and mitigate the impact of cash flow fluctuations. The management of the Group supervises the use of banks' financing lines and ensures compliance with the terms of the loan contract.

Bank borrowings are an important source of liquidity for the Group. As of December 31, 2023 and 2022, the unutilized short-term bank facilities of the Group were NTD967,899 thousand and NTD1,161,126 thousand, respectively.

#### (1) Liquidity and interest rate risk table of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities is prepared based on the earliest date on which the Group may be required to repay, and the undiscounted cash flows (including principal and estimated interest) of financial liabilities. Therefore, the bank loans which the Group may be required to repay immediately are listed in the earliest period in the table below, regardless of the probability of the banks' immediate execution of the right; the maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment dates.

#### December 31, 2023

	Effective interest rate (%)	Less than 1 Year	1 to 5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	2.00%	\$ 43,860	-	-	\$ 43,860
Short-term notes payable	-	32,130	-	-	32,130
Notes payable	-	5,618	-	-	5,618
Accounts payable	-	22,631	-	-	22,631
Other payables	-	29,571	-	-	29,571
Lease liabilities	1.484%~ 1.997%	7,328	17,665	-	24,993

Further information on the analysis of lease liabilities maturity is as follows:

	Less than 1 year	1 to 5 years	More than 5 years
Lease liabilities	<u>\$ 7,328</u>	<u>\$ 17,665</u>	<u>\$ -</u>

#### December 31, 2022

	Effective interest rate (%)	Less than 1 Year	1 to 5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowing	1.39%	\$ 34,473	\$ -	\$ -	\$ 34,473
Short-term notes payable	-	12,714	-	-	12,714
Notes payable	-	4,121	-	-	4,121
Accounts payable	-	24,526	-	-	24,526
Other payables	-	28,892	-	-	28,892
Lease liabilities	1.484%~ 1.997%	7,328	24,994	-	32,322

Further information on the analysis of lease liabilities maturity is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
Lease liabilities	\$ <u>7,328</u>	\$ <u>24,994</u>	\$ <u>-</u>

(2) Liquidity and interest rate risk table of derivative financial liabilities

Regarding the liquidity analysis of derivative financial instruments, it is prepared on the basis of undiscounted net contractual cash inflows and outflows for derivatives delivered on a net basis; for derivatives settled in the aggregate amount, it is prepared on the basis of total undiscounted cash inflows and outflows. When the amount payable or receivable is not fixed, the disclosed amount is determined based on the expected interest rate estimated by the yield curve on the balance sheet date.

December 31, 2023

	<u>Immediate repayment or in less than 1 month</u>	<u>1~3 months</u>	<u>3 months to 1 year</u>	<u>1~5 Years</u>	<u>More than 5 years</u>
<u>Aggregate amount settlement</u>					
FX forward contracts					
- Inflow	\$ -	\$ 34,213	\$ -	\$ -	\$ -
- Outflow	-	( 35,493 )	-	-	-
	<u>\$ -</u>	<u>( \$ 1,280 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<u>Immediate repayment or in less than 1 month</u>	<u>1~3 months</u>	<u>3 months to 1 year</u>	<u>1~5 Years</u>	<u>More than 5 years</u>
<u>Aggregate amount settlement</u>					
FX forward contracts					
- Inflow	\$ -	\$ 13,675	\$ -	\$ -	\$ -
- Outflow	-	( 14,019 )	-	-	-
	<u>\$ -</u>	<u>( \$ 344 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

XXVIII. Related party transactions

The transactions, account balances, gains and impairments between the Company and its subsidiaries (which are related parties of the Company) were written off in full at the time of consolidation, so they are not disclosed in this note.

Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 10,328	\$ 11,280
Post-employment benefits	<u>6,915</u>	<u>510</u>
	<u>\$ 17,243</u>	<u>\$ 11,790</u>

The remuneration of directors and other key management is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXIX. Pledged Assets

The following assets of the Group have been provided as collateral for bank loans:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant, and equipment		
Land	\$ 126,840	\$ 126,840
Building	<u>29,205</u>	<u>30,212</u>
	<u>\$ 156,045</u>	<u>\$ 157,052</u>

XXX. Significant contingent liabilities and unrecognized contract commitments

The Group has the following major commitments and contingencies on the balance sheet date:

- (I) As of December 31, 2023 and December 31, 2022, the amount of customs duty guarantee issued by the Group to banks for imported goods was NTD8,000 thousand.

- (II) As of December 31, 2023 and December 31, 2022, the amount of unused letters of credit issued by the Group for imported raw materials was USD479 thousand and USD158 thousand.
- (III) As of December 31, 2022, the Group entered into contracts for acquisition of property, plant and equipment amounted to NTD6,143 thousand. The amount had been paid was NTD1,843 thousand which was disclosed under Prepaid Equipment Purchases.
- (IV) The guarantee notes payable issued by the Group for bank loans are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	\$ 1,150	\$ 5,150
NTD	160,000	260,000

XXXI. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than the functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book value</u>
<u>Foreign currency asset</u>			
<u>Monetary item</u>			
USD	\$ 359	30.705 (USD: NTD)	\$ 11,030
RMB	1,516	4.3270 (RMB: NTD)	<u>6,559</u>
			<u>\$ 17,589</u>

Foreign currency liabilities

<u>Monetary item</u>			
USD	1,046	30.705 (USD: NTD)	<u>\$ 32,130</u>

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book value</u>
<u>Foreign currency asset</u>			
<u>Monetary item</u>			
USD	\$ 351	30.71 (USD: NTD)	\$ 10,787
RMB	1,431	4.408 (RMB: NTD)	<u>6,309</u>
			<u>\$ 17,096</u>

Foreign currency liabilities

<u>Monetary item</u>			
USD	414	30.71 (USD: NTD)	<u>\$ 12,714</u>

The foreign currency exchange gain of the consolidated company in 2023 and 2022 were respectively NTD1,989 thousand and NTD2,152 thousand. Due to the variety of foreign currency transactions, it is not possible to disclose the exchange gain and loss by each major foreign currency category.

XXXII. Other Disclosures

- (I) Information related to major transactions:
- Loans to others: None.
  - Endorsements/guarantees for others: None.
  - Securities held at period end: None.
  - The cumulative amount of the same securities purchased or sold reaches NTD300 million or 20% of the paid-in capital: None.
  - The amount of real estate acquired reaches NTD300 million or 20% of the paid-in capital: None.
  - The amount of real estate disposed of reaches NTD300 million or 20% of the paid-in capital: None.

7. The amount of goods purchased or sold with related parties reaches NTD100 million or 20% of the paid-in capital: None.
  8. The amount of accounts receivable from related parties reaches NTD100 million or 20% of the paid-in capital: None.
  9. Engagement in derivative trading. (Note 7)
  10. Others: Business relationships and important transactions between parent and subsidiaries and among subsidiaries. (Table 1)
- (II) Information related to investees. (Table 2)
- (III) Mainland China investment information: None.
- (IV) Information of major shareholders: name, number of shares held and proportion of shareholders with 5% shareholding or more. (Table 3)

### XXXIII. Segments Information

The Group focuses on each type of deliverable based on information used by the management (the chief operating decision makers) to allocate resources and measure departmental performance. The chief operating decision makers summarize and disclose by production unit. The reportable departments of the Group include the Resin Department and the Hot Melt Adhesive Department.

(I) Segment revenues and results

The revenue, operating results and department assets of the Group's continuing business units are analyzed as follows by each reportable department:

	2023			Total
	Resin Department	Hot Melt Adhesive Department	Adjustment and Write Off	
<u>Revenue and benefits</u>				
Revenue from external customers	\$ 550,282	\$ 218,449	\$ -	\$ 768,731
Interdepartmental revenue	<u>99,810</u>	<u>-</u>	<u>( 99,810 )</u>	<u>-</u>
Total income	<u>\$ 650,092</u>	<u>\$ 218,449</u>	<u>( \$ 99,810 )</u>	<u>\$ 768,731</u>
Segment Profit	\$ 21,490	( \$ 1,906 )	\$ 21	\$ 19,605
Interest income	4,373	58	-	4,431
Interest expenses	( 41 )	( 1,419 )	-	( 1,460 )
General revenue of the company				6,424
General expenses and losses of the company				<u>( 5,238 )</u>
Net profit before tax of continuing business unit				<u>\$23,762</u>
	2022			Total
	Resin Department	Hot Melt Adhesive Department	Adjustment and Write Off	
<u>Revenue and benefits</u>				
Revenue from external customers	\$ 792,865	\$ 341,369	\$ -	\$ 1,134,234
Interdepartmental revenue	<u>181,398</u>	<u>-</u>	<u>( 181,398 )</u>	<u>-</u>
Total income	<u>\$ 974,263</u>	<u>\$ 341,369</u>	<u>( \$ 181,398 )</u>	<u>\$ 1,134,234</u>
Segment Profit	( \$ 26,982 )	( \$ 172 )	\$ 20	( \$ 27,134 )
Interest income	2,002	11	-	2,013
Interest expenses	( 183 )	( 882 )	-	( 1,065 )
General revenue of the company				3,558
General expenses and losses of the company				<u>( 727 )</u>
Net loss before tax of continuing business unit				<u>( \$ 23,355 )</u>

Departmental profit and loss refer to the profit earned by each department, excluding the rental income, interest income, profit and loss on disposal of property, plant and equipment, profit and loss on disposal of investment, foreign currency exchange gains and losses, gains and losses on financial assets (liabilities) measured at fair value through profit and loss, and interest expenses and income tax expenses that should be apportioned. This measurement amount is provided to the chief operational decision makers for allocating resources to departments and evaluating their performance.



(II) Total assets and liabilities of the department

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Segment assets</u>		
Resin Department	\$ 627,882	\$ 623,257
Hot Melt Adhesive Department	132,575	197,022
General assets	<u>511,452</u>	<u>450,413</u>
Total consolidated assets	<u>\$ 1,271,909</u>	<u>\$ 1,270,692</u>
 <u>Departmental liabilities</u>		
Resin Department	\$ 84,206	\$ 74,474
Hot Melt Adhesive Department	11,312	2,250
General liabilities	<u>122,276</u>	<u>129,989</u>
Total consolidated liabilities	<u>\$ 217,794</u>	<u>\$ 206,713</u>

To monitor segment performance and allocate resources between segments:

1. All general company assets, except cash and cash equivalents, prepayments, investments, other financial assets, current and deferred income tax assets, are allocated to reportable departments; and
2. All liabilities of the company, except loans, advances received, other financial liabilities, remuneration payable to directors, current and deferred income tax liabilities and other general liabilities of the company, are allocated to reportable departments.

(III) Income from main products and services

The reportable departments of the Group are based on different products and services; refer to the revenue and operating results of the departments above for details.

(IV) Region information

The Group's revenue from continuing operations with external customers is as follows:

	<u>2023</u>	<u>2022</u>
Taiwan	\$ 608,920	\$ 916,551
Hong Kong	48,898	51,373
Other	<u>110,913</u>	<u>166,310</u>
	<u>\$ 768,731</u>	<u>\$ 1,134,234</u>

(V) Information of important customers

The customers of the Group accounting for more than 10% of the revenue of the current year are listed below:

	<u>2023</u>	<u>2022</u>
Customer A	\$ 111,548	\$ 175,361
Customer B	56,225	70,185
Customer C	106,796	173,673
Customer D	<u>61,925</u>	<u>150,934</u>
	<u>\$ 336,494</u>	<u>\$ 570,153</u>

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Business relationship between parent and subsidiary companies and important transactions and amounts  
2023

Table 1

Unit: NTD thousands

No. (Note 1)	Transaction Company	Counterparty	Relationship with Counterparty (Note 2)	Transactions			Ratio of Consolidated Revenue/ Assets (Note 3)	
				Account	Amount	Transaction Terms		
0	2023 Yong Shun Chemical Co., Ltd.	Sun Yang Global Co., Ltd.	1	Sale	\$ 99,810	No significant difference from ordinary customers	12.98%	
				Miscellaneous income	21		"	-
				Notes receivable	16,330		"	1.28%
				Accounts receivable	2,661		"	0.21%

Note 1: The types of business transactions are indicated by the following numbers shown in the No. column:

1. 0 - Parent company.

Note 2: The transaction flows were as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, for an asset or liability item, is the ending balance to the consolidated total assets; for a profit and loss item, it is the accumulated amount of the period to the total consolidated revenue.

Note 4: Transactions of related parties of each individual entity of the Group have been adjusted and written off.

Yong Shun Chemical Co., Ltd. and Subsidiaries  
Information about the investee, the location, etc  
2023

Table 2

Unit: NTD thousand; (share)

Name of the investor	Name of investee	Location	Main business activities	Original Investment Amount		Shares held as at end of the period			Net profit (loss) of the investee of current period	Investment gain/loss recognized in the current period	Remarks
				End of the current period	End of the previous year	Number of shares	Ratio (%)	Book value			
Yong Shun Chemical Co., Ltd.	Sun Yang Global Co., Ltd.	Taiwan	Subsidiary for manufacturing and sales of synthetic resins, plastics, coatings, paints and industrial additives	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 60,246	(\$ 2,239)	(\$ 2,239)	Subsidiary

Note: For the investment gain/loss recognized by the companies in the consolidated financial statements by the equity method, the long-term equity investment recorded in the account of the investing company and the net equity value of the investee have been completely written off.

Yong Shun Chemical Co., Ltd.  
Information on major shareholders  
December 31, 2023

Table 3

Name of major shareholder	Shares	
	Shareholding	Percentage of shareholding
Lin, Tsyr-Huan	6,305,327	10.32%
Lin, Tsyr-Hung	4,469,367	7.32%
Lin, Tsyr-Hsi	4,457,788	7.30%
Lin, Cheng-Chien	4,205,821	6.88%
Tsai, Cheng-Fung	3,492,490	5.72%

Note 1: The information on major shareholders in this table is calculated by TDCC on the last business day at the end of the current quarter for shareholders who hold more than 5% of the ordinary shares and special shares that have been delivered by the Company without physical registration (including treasury shares). The share capital reported in the consolidated financial statements and the actual number of ordinary shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.

V. Parent company's financial statements in the most recent fiscal year:

**Independent Auditor's Report**

To Yong Shun Chemical Co., Ltd.:

**Opinion**

We have duly audited the individual balance sheet as of December 31, 2023 and 2022, and the individual comprehensive income statement, individual statement of changes in equity and individual cash flow statement from January 1 to December 31, 2023 and 2022 as well as notes to the individual financial statements (including the summary of significant accounting policies) of Yong Shun Chemical Co., Ltd.

In our opinion, the individual financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and are fairly stated in terms of the individual financial position of Yong Shun Chemical Co., Ltd. as of December 31, 2023 and 2022, and the individual financial performance and individual cash flow from January 1 to December 31, 2023 and 2022.

**Basis for Opinion**

Certified Public Accountants conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements using auditing principles. Our responsibilities as an auditor under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed the CPA code of ethics and maintained independence from Yong Shun Chemical Co., Ltd. when performing their duties. We believe that the evidence obtained provides an adequate and appropriate basis for our opinion.

**Key Audit Matters**

Key audit matters are matters that we considered to be the most important, based on professional judgment, when auditing the 2023 individual financial statements of Yong Shun Chemical Co., Ltd. These issues were addressed when we audited and formed our opinions on the parent company only financial statements. Therefore, we do not provide opinions separately for individual matters.

The key audit items of the individual financial statements of Yong Shun Chemical Co., Ltd. for 2023 are as follows:

Key audit matter: Authenticity of sales, revenue and shipment to specific customers

Yong Shun Chemical Co., Ltd. are mainly engaged in the design, development, and manufacturing of resin products. Since changes in the major customers have a significant impact on the financial statements, and sales revenue is inherently subject to a high degree of risk, we have identified customers meeting specific criteria, and assessed the authenticity of the sales revenue transactions for these customers as a key audit matter. For the accounting policies and the information disclosed related to the revenue recognition, please refer to Notes 4 and 21 to the parent company only financial statements.

In response to the above important matters, the main audit procedures implemented by the CPAs are as follows:

1. Understanding and testing the revenue recognition of a specific sales target is critical to the design and execution of internal control.
2. For the aforementioned specific sales target revenue details, select the sample to check the relevant supporting documents and test the collection status to confirm that the sales transaction actually occurred.
3. We review whether material sales returns and discounts have occurred after the balance sheet date, in order to confirm whether there is material misstatement in the revenue of specific sales targets.

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

Responsibilities of the management were to prepare and ensure fair presentation of the parent company only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and to exercise proper internal control practices that are relevant to the preparation of the parent company only financial statements so that the parent company only financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing the parent company only financial statements also involved: assessing the ability of Yong Shun Chemical Co., Ltd. to operate, disclose information, and account for transactions as an ongoing concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance units (including the Audit Committee) of Yong Shun Chemical Co., Ltd. are responsible for overseeing the financial reporting process.

### **Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements**

The purposes of our audit were to obtain reasonable assurance of whether the parent company only financial statements were prone to material misstatements, whether caused by fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with auditing principles do not necessarily guarantee detection of all material misstatements within the parent company only financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risk of material misstatement within the parent company only financial statements that are attributed to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal controls, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Obtaining necessary understanding of internal controls relevant to audit and designing audit procedures that are appropriate under the prevailing circumstances, but not for the purpose of providing an opinion on the effectiveness of internal control system of Yong Shun Chemical Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as an ongoing concern, and whether there are doubts or uncertainties about the ability of Yong Shun Chemical Co., Ltd. to continue operating, based on the audit evidence obtained. We are bound to remind parent company only financial statement users to pay attention to relevant disclosures in the notes of statements within our audit report if material uncertainties exist in regards to the aforementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or change of circumstances may still render Yong Shun Chemical Co., Ltd. no longer capable of continuing operations.
5. Assessing the overall presentation, structure, and contents of the parent company only financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the parent company only financial statements.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within Yong Shun Chemical Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and execution of the Company's audits, and for forming an audit opinion of the Company.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects in internal controls identified during the audit) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with the CPA code of ethics, and communicated with the governance body on all matters that may affect the auditor’s independence (including relevant protection measures).

We have identified the key audit matters after communicating with the governance body regarding the parent company only financial statements from the year ended December 31, 2023 of Yong Shun Chemical Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because they may cause higher negative effects than the benefits they bring to public interest.

Deloitte Taiwan  
CPA Weng, Po-Jen

CPA Hsueh, Chun-Min

Financial Supervisory Commission approval  
number  
Letter referenced Jin-Guan-Cheng-Shen Zi  
No. 1010028123

Financial Supervisory Commission approval  
number  
Letter referenced Jin-Guan-Cheng-Shen Zi  
No. 1090358185

March 28, 2024

Yong Shun Chemical Co., Ltd.  
Parent Company Only Balance Sheet  
December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Notes 6 and 27)	\$ 350,423	30	\$ 327,373	27
1136	Financial assets measured at amortized costs - current (Notes 8, 9 and 27)	99,000	8	99,000	8
1150	Net notes receivable (Notes 10, 21 and 27)	37,185	3	34,415	3
1160	Notes receivable - related parties (Notes 10, 21, 27 and 28)	16,330	1	32,611	3
1170	Net accounts receivable (Notes 10, 21 and 27)	89,415	8	82,716	7
1180	Accounts receivable - related parties (Notes 10, 21, 27 and 28)	2,661	-	8,488	1
130X	Inventory (Note 11)	158,267	13	179,856	15
1410	Prepayments	2,302	-	1,993	-
1476	Income tax assets of the period (Note 23)	8,494	1	8,274	1
1479	Other current assets - others (Note 15)	545	-	82	-
11XX	Total current assets	<u>764,622</u>	<u>64</u>	<u>774,808</u>	<u>65</u>
<b>Non-current assets</b>					
1550	Investment by the equity method (Note 12)	60,246	5	62,558	5
1600	Property, plant and equipment (Notes 13, 25 and 29)	343,016	29	326,216	28
1780	Intangible assets	1,272	-	38	-
1840	Deferred income tax assets - non-current (Note 23)	17,947	2	22,701	2
1920	Refundable deposits (Note 27)	210	-	210	-
1990	Other non-current assets - others	405	-	-	-
15XX	Total non-current assets	<u>423,096</u>	<u>36</u>	<u>411,723</u>	<u>35</u>
1XXX	Total assets	<u>\$ 1,187,718</u>	<u>100</u>	<u>\$ 1,186,531</u>	<u>100</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
2110	Short-term notes payable (Notes 16, 25 and 27)	\$ 32,130	3	\$ 12,714	1
2120	Financial liabilities at fair value through profit or loss (Notes 7 and 27)	1,241	-	344	-
2130	Contractual liabilities - current (Note 21)	114	-	6,093	-
2150	Notes payable (Notes 17 and 27)	3,797	-	3,392	-
2170	Accounts payable (Notes 17 and 27)	19,847	2	23,006	2
2219	Other payables (Notes 18, 25 and 27)	22,865	2	20,386	2
2399	Other current liabilities	355	-	310	-
21XX	Total current liabilities	<u>80,349</u>	<u>7</u>	<u>66,245</u>	<u>5</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities (Note 23)	47,041	4	45,841	4
2640	Net defined benefit liabilities - non-current (Note 19)	6,213	-	10,466	1
25XX	Total non-current liabilities	<u>53,254</u>	<u>4</u>	<u>56,307</u>	<u>5</u>
2XXX	Total liabilities	<u>133,603</u>	<u>11</u>	<u>122,552</u>	<u>10</u>
<b>Equity (Note 20)</b>					
<b>Share capital</b>					
3110	Common stock	610,560	51	610,560	51
3200	Capital surplus	53,309	5	53,309	5
<b>Retained earnings</b>					
3310	Legal reserve	210,483	18	210,483	18
3320	Special reserve	98,028	8	98,028	8
3350	Undistributed retained earnings	81,735	7	91,599	8
3300	Total retained earnings	<u>390,246</u>	<u>33</u>	<u>400,110</u>	<u>34</u>
3XXX	Total equity	<u>1,054,115</u>	<u>89</u>	<u>1,063,979</u>	<u>90</u>
Total liabilities and equity		<u>\$ 1,187,718</u>	<u>100</u>	<u>\$ 1,186,531</u>	<u>100</u>

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

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei



Yong Shun Chemical Co., Ltd.  
Parent Company Only Statement of Comprehensive Income  
For the years ended December 31, 2023 and December 31, 2022

Unit: NTD thousands, except earnings (losses) per share which is in NTD

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 21 and 28)	\$ 650,092	100	\$ 974,263	100
5000	Operating costs (Notes 11 and 22)	( 557,202 )	( 86 )	( 937,046 )	( 96 )
5900	Operating margin	92,890	14	37,217	4
5910	Unrealized gains from subsidiaries, affiliated enterprises and joint ventures	( 79 )	-	( 6 )	-
5920	Realized gains from subsidiaries, affiliated enterprises and joint ventures	6	-	414	-
5950	Realized gross profit from operations	92,817	14	37,625	4
	Operating expenses (Note 22)				
6100	Selling expenses	( 27,181 )	( 4 )	( 30,219 )	( 3 )
6200	Administrative expenses	( 36,980 )	( 6 )	( 32,879 )	( 3 )
6300	Research and development expenses	( 5,568 )	( 1 )	( 5,569 )	( 1 )
6450	Expected credit (impairment loss) reversal gain	( 1,598 )	-	4,060	-
6000	Total operating expenses	( 71,327 )	( 11 )	( 64,607 )	( 7 )
6900	Operating income (loss)	21,490	3	( 26,982 )	( 3 )
	Non-operating income and expenses (Notes 22, 28 and 31)				
7100	Interest income	4,373	1	2,002	1
7010	Other income	116	-	675	-
7020	Other gains and losses	562	-	128	-
7070	Share of gains or losses of subsidiaries, affiliated enterprises and joint ventures by the equity method	( 2,239 )	-	1,021	-
7050	Finance costs	( 41 )	-	( 183 )	-
7000	Total non-operating income and expenses	2,771	1	3,643	1

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net income before tax (loss)	\$ 24,261	4	(\$ 23,339)	( 2)
7950	Income tax income (expense) (Note 23)	( 5,883)	( 1)	4,148	-
8200	Net profit (loss) for the year	18,378	3	( 19,191)	( 2)
	Other comprehensive income (Notes 19 and 23)				
	Items not reclassified into profit or loss:				
8311	Remeasurement of defined benefit obligation	2,857	-	5,691	-
8341	Income tax related to items not reclassified	( 571)	-	( 1,138)	-
8310		2,286	-	4,553	-
8300	Other comprehensive income of the period (net after tax)	2,286	-	4,553	-
8500	Comprehensive income of the period	\$ 20,664	3	(\$ 14,638)	( 2)
	Earnings (losses) per share (Note 24)				
9750	Basic	\$ 0.30		(\$ 0.31)	
9850	Diluted	\$ 0.30		(\$ 0.31)	

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

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

Yong Shun Chemical Co., Ltd.  
Parent Company Only Statement of Changes in Equity  
For the years ended December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code		Share capital		Retained earnings			Total equity	
		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Special reserve		Undistributed retained earnings
A1	Balance on January 1, 2022	61,056	\$ 610,560	\$ 53,309	\$ 202,902	\$ 98,028	\$ 174,874	\$ 1,139,673
	Earnings distribution for 2021							
B1	Legal reserve	-	-	-	7,581	-	( 7,581)	-
B5	Shareholders' cash dividends	-	-	-	-	-	( 61,056)	( 61,056)
D1	Net loss for 2022	-	-	-	-	-	( 19,191)	( 19,191)
D3	Other after-tax comprehensive income of 2022	-	-	-	-	-	4,553	4,553
D5	Total comprehensive income of 2022	-	-	-	-	-	( 14,638)	( 14,638)
Z1	Balance on December 31, 2022	61,056	610,560	53,309	210,483	98,028	91,599	1,063,979
	Earnings distribution for 2022							
B5	Shareholders' cash dividends	-	-	-	-	-	( 30,528)	( 30,528)
D1	Net profit for 2023	-	-	-	-	-	18,378	18,378
D3	Other after-tax comprehensive income of 2023	-	-	-	-	-	2,286	2,286
D5	Total comprehensive income of 2023	-	-	-	-	-	20,664	20,664
Z1	Balance on December 31, 2023	<u>61,056</u>	<u>\$ 610,560</u>	<u>\$ 53,309</u>	<u>\$ 210,483</u>	<u>\$ 98,028</u>	<u>\$ 81,735</u>	<u>\$ 1,054,115</u>

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

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

Yong Shun Chemical Co., Ltd.  
Parent Company Only Statement of Cash Flow  
For the years ended December 31, 2023 and December 31, 2022

Unit: NTD thousands

Code		2023	2022
	Cash flow from operating activities		
A10000	Net income (loss) before tax	\$ 24,261	(\$ 23,339)
A20010	Income, expenses and losses:		
A20100	Depreciation expenses	7,230	7,569
A20200	Amortization expenses	93	50
A20300	Expected credit impairment loss (reversal gain)	1,598	( 4,060)
A20400	Net loss of financial liabilities at fair value through profit or loss	897	160
A20900	Finance costs	41	183
A22400	Share of gains or losses of subsidiaries, affiliated enterprises and joint ventures by the equity method	2,239	( 1,021)
A21200	Interest income	( 4,373)	( 2,002)
A22500	Gain on disposal of property, plant, and equipment	( 40)	( 178)
A23700	Loss (recovery gain) on decline in value of inventories	( 18,085)	20,683
A23900	Unrealized gains from subsidiaries, affiliated enterprises and joint ventures	79	6
A24000	Realized gains from subsidiaries, affiliated enterprises and joint ventures	( 6)	( 414)
A29900	Inventory scrapping loss	622	1,254
A30000	Net change of operating assets and liabilities		
A31130	Notes receivable	13,511	( 7,065)
A31150	Accounts receivable	( 2,470)	97,266
A31200	Inventory	39,052	18,047
A31230	Prepayments	( 309)	2,155
A31240	Other current assets	( 450)	512
A32125	Contract liabilities - current	( 5,979)	4,910
A32130	Notes payable	405	( 1,125)
A32150	Accounts payable	( 3,159)	( 16,604)
A32180	Other payables	1,666	( 6,581)
A32230	Other current liabilities	45	( 34)
A32240	Net defined benefit liabilities	( 1,396)	( 1,206)
A33000	Cash from operations	55,472	89,166
A33100	Interest received	4,360	1,980

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Code		2023	2022
A33300	Interest paid	( \$ 41 )	( \$ 183 )
A33500	Income tax refundable	( 720 )	( 23,524 )
AAAA	Net cash inflow from operating activities	<u>59,071</u>	<u>67,439</u>
	Cash flow from investment activities		
B02700	Acquisition of property, plant and equipment	( 23,217 )	( 6,057 )
B04500	Acquisition of intangible assets	( 1,327 )	-
B02800	Proceeds from disposal of property, plant and equipment	40	178
B06700	Increase in other non-current assets	( 405 )	-
BBBB	Net cash outflow from investments	( 24,909 )	( 5,879 )
	Cash flow from financial activities		
C00100	Decrease in short-term borrowings	-	( 913 )
C00600	Increase (decrease) in short-term notes payable	19,416	( 17,291 )
C04500	Dividend payment	( 30,528 )	( 61,056 )
CCCC	Net cash outflow from financial activities	( 11,112 )	( 79,260 )
EEEE	Increase (decrease) in cash and cash equivalents	23,050	( 17,700 )
E00100	Cash and cash equivalents at the beginning of the year	<u>327,373</u>	<u>345,073</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 350,423</u>	<u>\$ 327,373</u>

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

Chairman: Tsai, Cheng-Fung

Manager: Lin, Cheng-Chien

Head of Accounting: Chen, Fu-Mei

Yong Shun Chemical Co., Ltd.  
Notes to Parent Company Only Financial Statements  
For the years ended December 31, 2023 and December 31, 2022  
(NTD thousand, Unless Stated Otherwise)

I. Organization and Operations

Yong Shun Chemical Co., Ltd. (hereinafter referred to as "the Company") was established in July 1965, mainly engaged in the manufacturing and sales of multi-component resins, special coating resins and fiber auxiliaries as well as the manufacturing, processing and trading of various reinforced plastic-steel products, the manufacturing of the auxiliary raw materials, the purchase of raw materials, and the import and export of finished products.

The Company's stock has been traded on the Taipei Exchange of the Republic of China since February 1999.

The parent company only financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

II. Financial Statement Approval Date and Procedures

This parent company only financial report was approved by the board meeting on March 11, 2024.

III. Application of new standards, amendments, and interpretations

- (I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to collectively as the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

When applying the amendments, the Company shall determine the material accounting policy information to be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is material. Moreover:

- Accounting policy information related to non-material transactions, other matters, or circumstances that are non-material, and the Company is not required to disclose such information.
- The Company may determine the relevant accounting policy information to be material due to the nature of transactions, other matters, or circumstances, even if the amount is not material.
- Not all accounting policy information related to the significant transaction, other matters, or circumstances is material.

If the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be material:

- (1) The Company changes its accounting policies during the reporting period, and the change results in a material change in financial statement information;
- (2) The Company selects its applicable accounting policies from the options allowed by the standards;
- (3) Due to the lack of specific standards, the Company has formulated accounting policies in accordance with IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates";
- (4) The Company discloses the accounting policies that are determined using significant judgments or assumptions; or
- (5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

Refer to Note 4 for related accounting policy information.

2. Amendments to IAS 8 “Definition of Accounting Estimates”

The Company has applied the amendments since January 1, 2023, which defines accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the Company may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

(II) FSC-approved IFRS Accounting Standards applicable from 2024 onwards

<u>New/amended/revised standards and interpretations</u>	<u>Effective date announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liabilities under Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Contractual Clauses”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the new/amended/ revised standards and interpretations above are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee should apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (Amended in 2020) and “Non-current Liabilities with Contractual Clauses” (Amended in 2022)

Amended in 2020 to clarify that when determining whether a liability is classified as non-current, it is necessary to assess whether the Company has the right to defer the settlement period to at least 12 months after the reporting period at the end of the reporting period. If the Company has the right at the end of the reporting period, regardless of whether the Company expects to exercise the right, the liabilities are classified as non-current.

The 2020 amendments further specify that if the Company must comply with certain conditions before it has the right to defer payment of its liabilities, the Company must have complied with certain conditions at the end of the reporting period, even if the lender is testing whether the Company has complied with those conditions at a later date. The 2022 amendments further clarify that only the contractual terms that must be followed before the end of the reporting period will affect the classification of liabilities. Although the terms of the contract to be followed within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed to enable users of the financial statements to understand that the Company may not be able to comply with the contractual terms and be required to make repayments within 12 months after the reporting period.

The 2020 amendments provide that, for the purpose of liability classification, the aforementioned settlement refers to the extinguishment of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Company to the counterparty. However, if the terms of the liability may be based on the choice of the counterparty, resulting in the settlement of the equity instrument of the Company, and if the choice is separately recognized in equity according to IAS 32 “Financial Instruments: Presentation”, the aforementioned clauses do not affect the classification of liabilities.

In addition to the impacts referred to above, as of the date the financial report was authorized for issue, the Company has assessed the possible impact that the application of

other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- (III) IFRS Accounting Standards issued by the IASB but not yet approved and released by the FSC

<u>New/amended/revised standards and interpretations</u>	<u>Effective date announced by IASB (Note 1)</u>
IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "First-time Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The Company shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the Company recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the above impact, as of the date the financial report authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

- (I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (II) Basis of preparation

In addition to financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of planned assets, the parent company only financial statements are prepared based on historical cost.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

The Company adopts the equity method for investment subsidiaries when preparing the parent company only financial statements. In order to make the current year's profit and loss, other comprehensive income and equity in the parent company only financial report identical to the current year's profit and loss, other comprehensive income and equity attributable to the owners of the Company in its parent company only financial statements, certain accounting treatment differences between the individual basis and the consolidated basis are handled by adjusting investments by the equity method, share of profit or loss of subsidiaries by the equity method, share of other comprehensive income of subsidiaries by the equity method, and related equity items.



(III) Criteria for distinguishing current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months of the balance sheet date, and
3. Cash and cash equivalents (other than those restricted from being exchanged or settled more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities due for settlement within 12 months of the balance sheet date (long-term refinancing or rescheduled agreements completed after the balance sheet date and before the issuance of the financial report are also current liabilities), and
3. Liabilities that cannot be unconditionally deferred until at least 12 months after the balance sheet date. If the terms of the liability may be settled by issuing equity instruments at the choice of the counterparty, the classification will not be affected.

Assets or liabilities that are not classified as current assets or liabilities are classified as non-current assets or non-current liabilities.

(IV) Foreign currency

When the Company prepares the financial report, transactions in currencies other than the Company's functional currency (in foreign currencies) shall be converted into the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are converted at the closing rate on the balance sheet date. Exchange differences arising from the settlement of monetary items or the conversion of monetary items are recognized in profit or loss in the period they occur.

Non-monetary items denominated in foreign currencies that are measured at fair value are converted at the prevailing exchange rates on the date when the fair values are determined, and the resulting exchange differences are recognized in profit or loss for the current period, except for those arising from changes in fair value that should be recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies measured at historical cost are converted at the exchange rates prevailing on the dates of transactions and are not re-converted.

When preparing the parent company only financial statements, the assets and liabilities of foreign operating institutions (including subsidiaries, affiliates, joint ventures or branches that operate in foreign countries or use currencies different from those of the Company) are converted into New Taiwan dollars at the exchange rate on each balance sheet date. Items of income and expenses are converted at the average exchange rate of the current period, and the resulting exchange differences are included in other comprehensive income.

(V) Inventory

Inventory includes raw materials, supplies, finished goods and work-in-progress. Inventories are measured at a lower cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. The net realizable value is the estimated selling price under normal circumstances less the estimated costs still to be invested to completion and the estimated costs required to complete the sale. The cost of inventories is calculated using the weighted-average method.

(VI) Investments in subsidiaries

The Company adopts the equity method to handle investments in subsidiaries.

Subsidiaries are entities over which the Company has control.

Under the equity method, the investment is initially recognized at cost, and the carrying amount after the acquisition increases or decreases with the Company's share of the subsidiary's profit and loss and other comprehensive income and profit distribution. In addition, changes in other equities that the Company can enjoy in subsidiaries are recognized in proportion to its shareholding.

When the change of the Company's ownership interest in the subsidiary does not lead to the loss of control, it is treated as an equity transaction. The difference between the

carrying amount of the investment and the fair value of the consideration paid or received is recognized directly as equity.

When assessing impairment, the Company considers the cash-generating units as a whole in the financial report and compares the recoverable amount with the carrying amount. If the recoverable amount of the asset increases subsequently, the reversal of the impairment loss shall be recognized as a profit, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the amount of the asset, before the recognition of the impairment loss, minus the carrying amount after amortization. Impairment losses attributable to goodwill cannot be reversed in subsequent periods.

Unrealized gains and losses from downstream transactions between the Company and its subsidiaries are eliminated from the parent company only financial statements. Profits and losses arising from upstream and side-stream transactions between the Company and its subsidiaries are recognized in the parent company only financial statements only to the extent not related to the Company's interests in subsidiaries.

(VII) Property, plant, and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful life, residual value and depreciation method at least at the end of each year and defers the effect of changes in applicable accounting estimates.

When property, plant and equipment are de-recognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss.

(VIII) Intangible assets

1. Single acquisition

Individually acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. The Company reviews the estimated useful lives, residual values and amortization methods at least at the end of each year and defers the effect of changes in applicable accounting estimates. Intangible assets with uncertain useful lives are presented at cost less accumulated impairment losses.

2. Derecognition

When intangible assets are de-recognized, the difference between the net disposal price and the carrying amount of the assets is recognized in the current profit or loss.

(IX) Impairment loss of property, plant and equipment, and intangible assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. 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. Common assets are allocated to the group of minimum cash-generating units on a reasonable and consistent basis.

The recoverable amount is the higher fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, then the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that would have been determined if the impairment loss had not been recognized in prior years for that asset or cash-generating unit. Reversal of impairment loss is recognized in profit or loss.

(X) Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

When financial assets and financial liabilities are not initially recognized at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and de-recognized using trade date accounting.

(1) Type of measurements

The types of financial assets held by the Company are financial assets measured at amortized cost.

Financial assets measured at amortized costs

If the Company's investment in financial assets is classified as financial assets carried at amortized cost if both of the following two conditions are met:

- A. It is held under an operating model in which financial assets are held for the purpose of receiving contractual cash flows; and
- B. The terms of the contract give rise to cash flows on specific dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost, and refundable deposits), after initial recognition, are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss, and any foreign currency exchange gain or loss is recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases:

- A. For credit-impaired financial assets purchased or established, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.
- B. For financial assets that are not acquired or created but subsequently become impaired, interest income should be computed by multiplying the effective interest rate by the amortized cost of the financial assets from the next reporting period after the impairment is applied.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulties or defaulted, or where it is probable that the debtor will declare bankruptcy or other financial reorganization, or where an active market for the financial assets has disappeared due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed deposits with minimal risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

(2) Impairment of financial assets

The Company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

Accounts receivables are recognized as a loss provision based on the expected credit loss over the period of survival. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If there is no significant increase, an allowance for loss is recognized based on the expected credit loss over 12 months. If there is a significant increase, a loss provision is recognized based on the expected credit loss over the remaining period.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults within 12 months after the reporting date of the financial instrument, and the ongoing, expected credit loss represents the expected credit loss arising from all possible defaults during the expected life of the financial instrument.

For the purpose of internal credit risk management, the Company, without taking into account the collateral held, determines that the following circumstances represent the default of financial assets:

- A. There is internal or external information that indicates that the debtor is unlikely to be able to pay its debts.
- B. Financial assets are more than 365 days past due, unless there is reasonable and supportable information indicating that the basis for delayed default is more appropriate.

All impairment losses on financial assets are reversed by reducing the carrying amount through the provision account. However, the loss provision on investments in debt instruments at fair value through other comprehensive income are recognized in other comprehensive income without reducing their carrying amount.

(3) De-recognition on financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets lapse or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When the financial asset is de-recognized as a whole at amortized cost, the difference between the carrying amount of the financial asset and the consideration received is recognized in profit or loss. When investments in debt instruments at fair value through other comprehensive income are de-recognized as a whole, the difference between the carrying amount of the investments and the sum of the consideration received and any accumulated gain or loss recognized in other comprehensive income is recognized in profit or loss. When investments in equity instruments measured at fair value through other comprehensive income are de-recognized as a whole, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified as profit or loss.

2. Financial liabilities

(1) Subsequent measurements

All financial liabilities are measured at amortized cost using the effective interest method, except for the following.

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are measured at fair value, and gains or losses arising from their re-measurement are recognized in other gains and losses.

(2) De-recognition of financial liabilities

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

3. Derivatives

The derivative instruments entered into by the Company include forward foreign exchange contracts used to manage the Company's exchange rate risks.

Derivatives are initially recognized at fair value upon entering into derivative contracts and subsequently remeasured at fair value at the balance sheet date, with gains or losses arising from subsequent measurements recognized directly in profit or loss. However, for derivatives that are designated and are effective hedging

instruments, the timing of their recognition in profit or loss will depend on the nature of the hedging. When the fair value of a derivative is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

Derivatives that are embedded in asset master contracts within the scope of IFRS 9, "Financial Instruments", are used as a whole to determine the classification of financial assets. A derivative is considered to be a separate derivative if it is embedded in a master contract of an asset that is not within the scope of IFRS 9 (e.g., embedded in a master contract of a financial liability) and the embedded derivative meets the definition of a derivative, the risks and characteristics of which are not closely related to those of the master contract and the hybrid contract is not measured at fair value through profit or loss.

(XI) Revenue recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

Revenue from product sales

Revenue from product sales is from the manufacturing and sale of multi-resins. The Company recognizes revenue when the product is delivered and control of ownership is transferred. Advance receipt of payments for the sale of goods are recognized as contract liabilities before the products are delivered.

(XII) Leases

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

Company as lessee

Right-of-use assets and lease liabilities are recognized at the lease commencement date for all leases, except for leases of low-value underlying assets and short-term leases to which the recognition exemption applies, where lease payments are recognized as expenses on a straight-line basis over the lease term.

(XIII) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that meet the criteria are included as part of the cost of the asset until substantially all of the activities necessary to bring the asset to its intended use or sale condition have been completed.

Investment income earned on the temporary investment from specific borrowings pending the occurrence of qualifying capital expenditures is deducted from the qualifying borrowing costs for capitalization.

Except for the above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XIV) Employee benefits

1. Short-term employee benefits

Short-term employee benefit-related liabilities are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

Payments to the defined contribution pension plan is an expense that recognizes the amount of pension benefits to be contributed during the employees' service period.

The defined benefit cost (including service cost, net interest and re-measurement) of the defined benefit pension plan is actuarially determined using the projected unit benefit method. The service cost (including the current service cost and previous service cost and settlement gains or losses) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. Re-measurements (including actuarial gains and losses and return on plan assets, net of interest) are recognized in other comprehensive income as incurred and included in retained earnings, and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) represents the appropriation deficit (surplus) of the defined benefit pension plan. The net defined benefit asset must not

exceed the present value of the refund of appropriation from the plan or of the reduction of future appropriation.

3. Severance benefits

The Company recognizes a severance benefit liability when it can no longer withdraw its offer of severance benefits, or recognizes the associated restructuring costs, whichever is earlier.

(XV) Income tax

Income tax expense represents the sum of the current tax payable and deferred tax.

1. Current tax payable

The Company determines the current income (loss) in accordance with the regulations of each income tax filing jurisdiction and calculates the income tax payable (recoverable) accordingly.

Income tax on undistributed earnings calculated in accordance with the ROC Income Tax Act is recognized in the year when the shareholders resolve to retain the earnings.

Adjustments to prior years' income tax payable are to be included in the current period's income tax.

2. Deferred tax

Deferred income tax is computed on temporary differences between the carrying amounts of assets and liabilities and the tax basis of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which income tax credits can be utilized for temporary differences.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that a reversal is expected in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax assets will be available to allow recovery of all or part of the asset. Deferred income tax assets that have not been recognized are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled or the asset is realized, which are based on tax rates and tax laws that have been legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences of the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Income tax of the current period and deferred income tax

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

V. Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions

In adopting accounting policies, the Company's management is required to make judgments, estimates and assumptions that are based on historical experience and other relevant factors when relevant information is not readily available from other sources. Actual results may differ from estimates.

## Key Sources of Estimation Uncertainty

### (I) Estimated impairment of financial assets

The provision for impairment of account receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

### (II) Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

## VI. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 80	\$ 80
Checking accounts and demand deposits	69,386	77,356
Cash equivalents		
Commercial paper	<u>280,957</u>	<u>249,937</u>
	<u>\$ 350,423</u>	<u>\$ 327,373</u>

## VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities - current</u>		
Derivative instruments		
(not specified for hedging)		
- FX forward contracts	<u>\$ 1,241</u>	<u>\$ 344</u>

The FX forward contracts on the balance sheet date that are not subject to hedge accounting and have not yet matured are as follows:

	<u>Currency</u>	<u>Maturity period</u>	<u>Contract amount (NTD thousand)</u>
<u>December 31, 2023</u>			
Purchase of FX forward contract	NTD to USD	November 3, 2023 ~ February 23, 2024	NTD18,089/USD564
Purchase of FX forward contract	NTD to USD	December 7, 2023 ~ March 29, 2024	NTD15,135/USD482
<u>December 31, 2022</u>			
Purchase of FX forward contract	NTD to USD	November 7, 2022 ~ January 30, 2023	NTD7,704/USD240
Purchase of FX forward contract	NTD to USD	December 09, 2022 ~ March 01, 2023	NTD5,310/USD174

The purpose of the engagement in FX forward contracts by the Company in 2023 and 2022 was to avoid the risk of foreign currency assets and liabilities arising from exchange rate fluctuations. The FX forward contracts held by the Company do not meet the effective hedging conditions, so hedge accounting is not applicable.

## VIII. Financial assets measured at amortized costs

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity over 3 months	<u>\$ 99,000</u>	<u>\$ 99,000</u>

As of December 31, 2023 and December 31, 2022, the interest rate range of time deposits with original maturity over 3 months is 1.575% and 1.2~1.325% per annum.

The Company has no pledge of financial assets measured at amortized cost.

IX. Credit risk management of debt instrument investment

The debt instruments invested by the Company are financial assets measured at amortized cost:

December 31, 2023

	<u>At amortized cost</u>
Total book value	\$ 99,000
Loss provision	-
Amortized cost	<u>\$ 99,000</u>

December 31, 2022

	<u>At amortized cost</u>
Total book value	\$ 99,000
Loss provision	-
Amortized cost	<u>\$ 99,000</u>

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial departments of the Company. As the trading counterparties and performing parties of the Company are all banks with good credit ratings and financial institutions or corporate organizations of investment grade or above, there is no major doubt of default, so there is no major credit risk.

The current credit risk rating mechanism of the Company and the total carrying amount of debt instrument investments of various credit ratings are as follows:

<u>Credit rating</u>	<u>Definition</u>	<u>Recognition basis of expected credit loss</u>	<u>Expected credit loss rate</u>	<u>Total book amount on December 31, 2023</u>	<u>Total book amount on December 31, 2022</u>
Normal	The debtor's credit risk is low, and the debtor is fully capable of paying off the contractual cash flow.	12-month expected credit loss	0%	<u>\$ 99,000</u>	<u>\$ 99,000</u>

X. Notes receivable, accounts receivable and collection

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
At amortized cost		
Arising from business		
Non-related parties	<u>\$ 37,185</u>	<u>\$ 34,415</u>
Related party	<u>\$ 16,330</u>	<u>\$ 32,611</u>
<u>Accounts receivable</u>		
At amortized cost		
Total book value		
Non-related parties	\$ 91,913	\$ 83,016
Less: Loss allowance	( 2,498 )	( 300 )
	<u>\$ 89,415</u>	<u>\$ 82,716</u>
Related party	<u>\$ 2,661</u>	<u>\$ 8,488</u>

(I) Accounts receivable

The Company's average credit period for product sales is 90 days, and no interest is calculated for accounts receivable. The Company's policy is to only conduct transactions with objects of investment grade or above (inclusive), and in necessary circumstances obtain sufficient collaterals to mitigate the risk of financial loss due to default. The Company will use other publicly available financial information and historical transaction records to rate



its major customers. The Company continuously monitors the credit risk and the credit rating of the counterparty, and manages the credit risk through the annual review and approval of the counterparty's credit limit.

In order to mitigate the credit risk, the management of the Company assigned dedicated personnel to be responsible for the credit line decision, credit approval and other monitoring procedures to ensure that appropriate actions have been taken for the recovery of overdue receivables. In addition, the Company will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been provided with appropriate impairment losses.

The Company recognizes the loss provision of accounts receivable based on the expected credit loss during the existence period. The expected credit loss during the duration is calculated using the preparation matrix, which takes into account customers' past default records and current financial situation, the industrial economic situation, the GDP forecast and the industrial outlook. Because the historical experience of credit loss of the Company shows that there is no significant difference between the loss types of different customer groups, the Company matrix does not further distinguish customer groups, and only sets the expected credit loss rate based on the number of days of accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, for example, the counterparty to the transaction is in liquidation or the debt has been established for more than 365 days, the Company will directly write off the relevant accounts receivable, but will continue the recovery activities. The amount recovered due to the recovery is recognized in profit or loss.

The Company measures the loss provision of accounts receivable according to the preparation matrix as follows:

December 31, 2023

	Account established for 1 to 90 days	Account established for 91 to 180 days	Account established for 181 to 365 days	Account established for over 365 days	Total
Total book value	\$ 83,116	\$ 9,342	\$ -	\$ 2,116	\$ 94,574
Loss allowance (lifetime ECLs)	( 277 )	( 105 )	-	( 2,116 )	( 2,498 )
Amortized cost	<u>\$ 82,839</u>	<u>\$ 9,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,076</u>

December 31, 2022

	Account established for 1 to 90 days	Account established for 91 to 180 days	Account established for 181 to 365 days	Account established for over 365 days	Total
Total book value	\$ 84,849	\$ 6,655	\$ -	\$ -	\$ 91,504
Loss allowance (lifetime ECLs)	-	( 300 )	-	-	( 300 )
Amortized cost	<u>\$ 84,849</u>	<u>\$ 6,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,204</u>

The provision for losses of accounts receivable is calculated according to the expected credit loss rate of each age range, and the expected credit loss rate for the years ended December 31, 2023 and December 31, 2022 is 0.17%~100% and 0.05%, respectively.

Changes in loss provision on accounts receivable:

	2023	2022
Beginning balance	\$ 300	\$ 3,760
Add: Provision for impairment loss for the current year	2,198	-
Less: Reversal of impairment loss for the current year	-	( 3,460 )
Ending balance	<u>\$ 2,498</u>	<u>\$ 300</u>

(III) Collections (listed under other non-current assets)

Information on the change in provision for bad debts from collections is as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 24,619	\$ 25,219
Less: Reversal of impairment losses for the year	( 600 )	( 600 )
Ending balance	<u>\$ 24,019</u>	<u>\$ 24,619</u>

As of December 31, 2023 and December 31, 2022, the amount of loss provision included individual impaired accounts receivable in significant financial difficulties, amounting to NTD 24,019 thousand and NTD 24,619 thousand, respectively, which had been transferred to collections (listed under other non-current assets). The Company does not hold any collateral for these receivable balances.

XI. Inventory

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 108,921	\$ 120,972
Materials	3,101	6,294
Work-in-progress	55	4,390
Finished goods	46,168	48,200
Goods	<u>22</u>	<u>-</u>
	<u>\$ 158,267</u>	<u>\$ 179,856</u>

The nature of cost of goods sold is as follows:

	<u>2023</u>	<u>2022</u>
Cost of inventory sold	\$ 575,287	\$ 916,363
Inventory write-downs (reversed) (I)	( 18,085 )	20,683
	<u>\$ 557,202</u>	<u>\$ 937,046</u>

(I) Inventory write-downs were reversed as a result of inventory destocking.

(II) The Company has no inventory pledged as loan collateral.

XII. Investments using the equity method

Investments in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Sun Yang Global Co., Ltd.	<u>\$ 60,246</u>	<u>\$ 62,558</u>

On the balance sheet date, the Company's ownership interest and voting right percentage in subsidiaries are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Sun Yang Global Co., Ltd.	100%	100%

In 2023 and 2022, the profit and loss and other comprehensive income share of subsidiaries by the equity method are recognized based on the financial report of the subsidiary that has been audited by CPAs during the same period.

The Company does not have any amount of borrowing with its investment in subsidiaries as the collateral.

XIII. Property, plant, and equipment

	Land	Building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>Cost</u>							
Balance on January 1, 2023	\$ 276,190	\$ 148,696	\$ 368,762	\$ 12,039	\$ 12,343	\$ 47,566	\$ 865,596
Increase	-	21,517	-	900	918	695	24,030
Disposals	-	-	( 2,868 )	( 680 )	( 718 )	( 2,798 )	( 7,064 )
Balance on December 31, 2023	<u>\$ 276,190</u>	<u>\$ 170,213</u>	<u>\$ 365,894</u>	<u>\$ 12,259</u>	<u>\$ 12,543</u>	<u>\$ 45,463</u>	<u>\$ 882,562</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2023	\$ -	\$ 111,855	\$ 362,385	\$ 10,217	\$ 9,456	\$ 45,467	\$ 539,380
Depreciation expenses	-	3,646	1,542	350	975	717	7,230
Disposals	-	-	( 2,868 )	( 680 )	( 718 )	( 2,798 )	( 7,064 )
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 115,501</u>	<u>\$ 361,059</u>	<u>\$ 9,887</u>	<u>\$ 9,713</u>	<u>\$ 43,386</u>	<u>\$ 539,546</u>
Net on December 31, 2023	<u>\$ 276,190</u>	<u>\$ 54,712</u>	<u>\$ 4,835</u>	<u>\$ 2,372</u>	<u>\$ 2,830</u>	<u>\$ 2,077</u>	<u>\$ 343,016</u>
<u>Cost</u>							
Balance on January 1, 2022	\$ 276,190	\$ 148,382	\$ 367,962	\$ 12,781	\$ 11,636	\$ 46,671	\$ 863,622
Increase	-	314	2,495	1,790	1,456	1,184	7,239
Disposals	-	-	( 1,695 )	( 2,532 )	( 749 )	( 289 )	( 5,265 )
Balance on December 31, 2022	<u>\$ 276,190</u>	<u>\$ 148,696</u>	<u>\$ 368,762</u>	<u>\$ 12,039</u>	<u>\$ 12,343</u>	<u>\$ 47,566</u>	<u>\$ 865,596</u>
<u>Cumulative depreciation</u>							
Balance on January 1, 2022	\$ -	\$ 108,002	\$ 362,482	\$ 12,456	\$ 8,987	\$ 45,149	\$ 537,076
Depreciation expenses	-	3,853	1,598	293	1,218	607	7,569
Disposals	-	-	( 1,695 )	( 2,532 )	( 749 )	( 289 )	( 5,265 )
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 111,855</u>	<u>\$ 362,385</u>	<u>\$ 10,217</u>	<u>\$ 9,456</u>	<u>\$ 45,467</u>	<u>\$ 539,380</u>
Net on December 31, 2022	<u>\$ 276,190</u>	<u>\$ 36,841</u>	<u>\$ 6,377</u>	<u>\$ 1,822</u>	<u>\$ 2,887</u>	<u>\$ 2,099</u>	<u>\$ 326,216</u>

The Company's property, plant and equipment listed on December 31, 2022 and December 31, 2023 have been evaluated and there was no indication of impairment.

There was no interest capitalization on the property, plant and equipment of the Company in 2023 and 2022.

Depreciation expense is accrued on a straight-line basis according to the following useful lives:

Building	
Main buildings	20 to 50 years
Decoration work, etc.	3 to 10 years
Machinery equipment	3 to 16 years
Transportation equipment	3 to 7 years
Office equipment	3 to 5 years
Other equipment	2 to 10 years

Please refer to Note 29 for the amount of property, plant and equipment pledged as collaterals for loans.

XIV. Lease arrangements

Other lease agreements

	2023	2022
Short term lease expense	<u>\$ 319</u>	<u>\$ 300</u>
Total cash outflow from lease	<u>( \$ 319 )</u>	<u>( \$ 300 )</u>

The Company chooses to apply the recognition exemption to the leases of houses and buildings that meet the short-term lease criteria, and does not recognize the relevant right-of-use assets and lease liabilities for such leases.

XV. Other assets

	December 31, 2023	December 31, 2022
<u>Current</u>		
Other receivables		
Interest receivable	\$ 67	\$ 54
Tax refund receivable	194	-
Provisional payment	<u>284</u>	<u>28</u>
	<u>\$ 545</u>	<u>\$ 82</u>

		<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Non-current</u>		
	Collection	\$ 24,019	\$ 24,619
	Less: Provision for bad debts	( 24,019 )	( 24,619 )
		<u>\$ -</u>	<u>\$ -</u>

XVI. Borrowings  
Short-term notes payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank acceptances	<u>\$ 32,130</u>	<u>\$ 12,714</u>

Outstanding short-term notes payable were as follows:

<u>December 31, 2023</u>				
<u>Guarantee/acceptance institution</u>	<u>Book value</u>	<u>Original currency amount (USD)</u>	<u>Name of collateral</u>	<u>Book value of collateral</u>
<u>Bank acceptances</u>				
Hua Nan Bank	<u>\$ 32,130</u>	<u>\$ 1,046</u>	None	<u>\$ -</u>
<u>December 31, 2022</u>				
<u>Guarantee/acceptance institution</u>	<u>Book value</u>	<u>Original currency amount (USD)</u>	<u>Name of collateral</u>	<u>Book value of collateral</u>
<u>Bank acceptances</u>				
Mega International Commercial Bank	\$ 5,344	\$ 174	None	\$ -
Taiwan Cooperative Bank	<u>7,370</u>	<u>240</u>	None	<u>-</u>
	<u>\$ 12,714</u>	<u>\$ 414</u>	None	<u>\$ -</u>

Please refer to Note 30 for guaranteed notes payable issued for bank borrowings.

XVII. Notes and accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes payable</u>		
Arising from business	<u>\$ 3,797</u>	<u>\$ 3,392</u>
 <u>Accounts payable</u>		
Arising from business	<u>\$ 19,847</u>	<u>\$ 23,006</u>

Accounts payable are paid at the agreed time in the contract. The Company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

XVIII. Other liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
<u>Other payables</u>		
Directors' remuneration payable	\$ 646	\$ -
Employees' remuneration payable	428	-
Salary and bonus payable	14,178	13,791
Equipment payables	1,995	1,182
Other	<u>5,618</u>	<u>5,413</u>
	<u>\$ 22,865</u>	<u>\$ 20,386</u>

XIX. Retirement benefit plans

(I) Defined contribution plan

The pension system of the "Labor Pension Act" applicable to the Company is a government managed defined contribution retirement plan, in which 6% of an employee's monthly salary is allocated to an individual account at the Labor Insurance Bureau.

(II) Defined benefit plans

The pension system of the Company in accordance with the country's "Labor Standards Act" is a government-administered defined-benefit retirement plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 10% of the total monthly salary of the employees to the pension, and hands it over to the Labor Retirement Reserve Supervision Committee to deposit it into the special account of the Bank of Taiwan in the name of the committee. Before the end of the year, if it is estimated that the balance of the special account is not sufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be provided in one go by the end of March of the next year. The special account is entrusted to the Bureau of Labor Fund of the Ministry of Labor for management, and the Company has no right to influence the investment management strategy.

The amounts of defined benefit plans included in the parent company's balance sheet are listed as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 60,434	\$ 66,019
Fair value of plan assets	( 54,221 )	( 55,553 )
Net defined benefit liabilities	<u>\$ 6,213</u>	<u>\$ 10,466</u>

Changes to net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2023	\$ 66,019	( \$ 55,553 )	\$ 10,466
Service cost			
Service costs for the current period	407	-	407
Interest expense (revenue)	908	( 777 )	131
Recognized as loss (profit)	<u>1,315</u>	<u>( 777 )</u>	<u>538</u>
Re-measurement			
Compensation for planned assets (excluding the amount included in net interest)	-	( 415 )	( 415 )
Actuarial (gain) loss			
Changes in financial assumptions	938	-	938
Adjustment based on past experience	( 3,380 )	-	( 3,380 )
Recognized in other comprehensive income	( 2,442 )	( 415 )	( 2,857 )
Employer contribution	-	( 1,934 )	( 1,934 )
Benefit paid	( 4,458 )	4,458	-
Balance on December 31, 2023	<u>\$ 60,434</u>	<u>( \$ 54,221 )</u>	<u>\$ 6,213</u>
Balance on January 1, 2022	\$ 73,393	( \$ 56,030 )	\$ 17,363
Service cost			
Service costs for the current period	624	-	624
Interest expense (revenue)	459	( 356 )	103
Recognized as loss (profit)	<u>1,083</u>	<u>( 356 )</u>	<u>727</u>
Re-measurement			
Compensation for planned assets (excluding the amount included in net interest)	-	( 4,898 )	( 4,898 )
Actuarial loss (gain)			
Changes in financial assumptions	( 2,317 )	-	( 2,317 )
Adjustment based on past experience	1,524	-	1,524
Recognized in other comprehensive income	( 793 )	( 4,898 )	( 5,691 )
Employer contribution	-	( 1,933 )	( 1,933 )
Benefit paid	( 7,664 )	7,664	-
Balance on December 31, 2022	<u>\$ 66,019</u>	<u>( \$ 55,553 )</u>	<u>\$ 10,466</u>

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ 338	\$ 452
Operating expenses	<u>200</u>	<u>275</u>
	<u>\$ 538</u>	<u>\$ 727</u>

The Company is exposed to the following risks as a result of the "Labor Standards Act" pension system:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor invests labor pension funds in domestic (foreign) equity and debt securities and bank deposits through self-operation and entrusted management, but the Company's distributable amount of the plans' assets is the income calculated at not lower than the 2-year fixed deposit interest rate of the local bank.
2. Interest rate risk: The decrease in interest rates of government/corporate bonds will increase the present value of the defined benefit obligation, but the return on the debt investment of the planned assets will also increase; the impact of the two on the net defined benefit liabilities is partially offset.
3. Salary risk: For the calculation of the present value of defined benefit obligations, reference is made to the future salaries of the members of the plans. Therefore, increases in plan members' salaries will result in an increase in the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary with the following significant assumptions as of the measurement date.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.125%	1.375%
Expected rate of salary increase	2.250%	2.250%

If there are reasonable possible changes in significant actuarial assumptions, the amount by which the present value of the defined benefit obligation would increase (decrease), with all other assumptions held constant, is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	( \$ 938 )	( \$ 1,094 )
0.25% decrease	<u>\$ 965</u>	<u>\$ 1,126</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 940</u>	<u>\$ 1,099</u>
0.25% decrease	( \$ 918 )	( \$ 1,073 )

The sensitivity analysis above may not reflect actual changes in the present value of the defined benefit obligation, because the actuarial assumptions may be correlated and changes in only one assumption are not probable.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount expected to be appropriated within 1 year	<u>\$ 1,920</u>	<u>\$ 1,920</u>
Average period of defined benefit obligation to maturity	6.3 years	6.8 years

XX. Equity

(I) Common share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized ordinary shares (in thousands)	<u>61,056</u>	<u>61,056</u>
Authorized capital	<u>\$ 610,560</u>	<u>\$ 610,560</u>
Issued and paid ordinary shares (in thousands)	<u>61,056</u>	<u>61,056</u>
Issued capital	<u>\$ 610,560</u>	<u>\$ 610,560</u>

The par value of each issued common share is NTD10; each share has one voting right and the right to receive dividends.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed cash dividend or transferred to shares (1)</u>		
Treasury stock trading	\$ 52,541	\$ 52,541
Donated assets	<u>768</u>	<u>768</u>
	<u>\$ 53,309</u>	<u>\$ 53,309</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

(III) Retained earnings and dividends policy

According to the provisions of the earnings distribution policy in the Company's articles of association, if there is a surplus in the annual final accounts, taxes shall be paid in accordance with the law, and after making up the cumulative loss, 10% shall be set aside as the legal reserve, and the rest shall be appropriated as or reversed from special reserve according to laws and regulations. If there is still a balance, the board meeting shall formulate an earnings distribution proposal for it together with the cumulative undistributed surplus, and submit it to the shareholders' meeting for a resolution to distribute dividends to shareholders. Please refer to Note 22(7) employees' and directors' remuneration for the distribution policy of employees' and directors' remuneration stipulated in the Articles of Association.

The Company adopts a fixed and residual dividend policy for sustainable operation, sustainable growth and long-term financial planning based on the overall environment and the characteristics of the industrial development. Shareholders' dividends are distributed annually from the distributable surplus. The cash dividends are maintained between 10% and 90%, but may be adjusted according to changes in the internal and external business environment.

Distribution of earnings to the legal reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company sets aside and reverses special reserves in accordance with the requirements of the letters referenced Jin-Guan-Cheng-Fa No. 1010012865 and Jin-Guan-Cheng-Fa No. 1010047490, and "Questions and Answers on the Applicability of Appropriation of Special Reserves After Adoption of International Financial Reporting Standards (IFRSs)".

The Company's general shareholders' meeting on June 19, 2023 and June 9, 2022 respectively passed resolutions on the following earnings distribution schemes for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ <u>-</u>	\$ <u>7,581</u>
Cash dividends	\$ <u>30,528</u>	\$ <u>61,056</u>
Cash dividends per share (NTD)	\$ <u>0.50</u>	\$ <u>1.00</u>

The Company's board meeting on March 11, 2024 proposed the following earnings distribution of 2023:

	<u>2023</u>
Legal reserve	\$ <u>2,066</u>
Cash dividends	\$ <u>30,528</u>
Cash dividends per share (NTD)	\$ <u>0.5</u>

The earnings distribution scheme for 2023 is pending the resolution of the general shareholders' meeting expected to be held in June 2024.

XXI. Revenue

	<u>2023</u>	<u>2022</u>
Revenues from sale of merchandise	\$ <u>650,092</u>	\$ <u>974,263</u>

Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable (Note 10)	\$ <u>37,185</u>	\$ <u>34,415</u>	\$ <u>40,248</u>
Notes receivable - related parties (Note 10)	\$ <u>16,330</u>	\$ <u>32,611</u>	\$ <u>19,713</u>
Accounts receivable (Note 10)	\$ <u>89,415</u>	\$ <u>82,716</u>	\$ <u>167,137</u>
Accounts receivable - related parties (Note 10)	\$ <u>2,661</u>	\$ <u>8,488</u>	\$ <u>17,273</u>
Contractual liabilities Goods sold	\$ <u>114</u>	\$ <u>6,093</u>	\$ <u>1,183</u>

XXII. Net profit (loss) for the year

(I) Interest income

	<u>2023</u>	<u>2022</u>
Bank interest income	\$ <u>1,683</u>	\$ <u>1,010</u>
Financial assets measured at amortized costs	<u>2,690</u>	<u>992</u>
	\$ <u>4,373</u>	\$ <u>2,002</u>

(II) Other income

	<u>2023</u>	<u>2022</u>
Grant revenue	\$ <u>-</u>	\$ <u>604</u>
Other	<u>116</u>	<u>71</u>
	\$ <u>116</u>	\$ <u>675</u>

(III) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gain on disposal of property, plant, and equipment	\$ <u>40</u>	\$ <u>178</u>
Net foreign currency exchange benefits	<u>1,421</u>	<u>110</u>
Net loss of financial liabilities at fair value through profit or loss	( <u>897</u> )	( <u>160</u> )
Other	( <u>2</u> )	<u>-</u>
	\$ <u>562</u>	\$ <u>128</u>



(IV)	Finance costs	2023	2022
	Interest on bank loans	<u>\$ 41</u>	<u>\$ 183</u>
(V)	Depreciation and amortization	2023	2022
	An analysis of depreciation by function		
	Operating costs	\$ 5,479	\$ 5,575
	Operating expenses	<u>1,751</u>	<u>1,994</u>
		<u>\$ 7,230</u>	<u>\$ 7,569</u>
	An analysis of amortization by function		
	Operating expenses	<u>\$ 93</u>	<u>\$ 50</u>
(VI)	Employee benefits expense	2023	2022
	Short-term employee benefits	\$ 77,359	\$ 74,906
	Post-employment benefits		
	Defined contribution plans	2,395	2,242
	Defined benefit plan (Note 19)	538	727
	Other employee benefits	<u>3,296</u>	<u>3,796</u>
	Total employee benefits expense	<u>\$ 83,588</u>	<u>\$ 81,671</u>
	An analysis by function		
	Operating costs	\$ 43,908	\$ 44,709
	Operating expenses	<u>39,680</u>	<u>36,962</u>
		<u>\$ 83,588</u>	<u>\$ 81,671</u>

(VII) Employees' and directors' remuneration

In accordance with the Articles of Association, the Company appropriates 1% to 3% of the balance as the employees' remuneration, and no more than 4% as the directors' remuneration. The resolutions on the employees' remuneration and directors' remuneration for 2023 by the board meetings on March 11, 2024 are as follows:

Ratio

	2023
Employees' remuneration	<u>1.69%</u>
Directors' remuneration	2.55%

Amount

	2023	
	Cash	Stocks
Employees' remuneration	\$ 428	\$ -
Directors' remuneration	646	-

As the Company suffered a loss before tax in 2022, remuneration to employees and to directors were not estimated.

If there is still any change in the amount after the annual parent company only financial statements is approved and issued, it shall be handled according to the change of accounting estimates and adjusted and recorded in the next year.

There is no difference between the actual allotment amounts of employees' and directors' remuneration in 2022 and 2021 and the amount recognized in the parent company only financial statements in 2022 and 2021.

For information on the employees' and directors' remuneration in accordance with the resolutions of the board meeting of the Company in 2023 and 2022, please visit the "MOPS" of the Taiwan Stock Exchange.

XXIII. Income tax

(I) The main components of income tax expense (income) recognized in profit/loss

	<u>2023</u>	<u>2022</u>
Current tax payable		
Generated in the current period	\$ 113	\$ -
R&D expenditures offset in the current year	( 34 )	-
Income tax on undistributed earnings	-	154
Adjustments of prior years	<u>421</u>	<u>569</u>
	<u>500</u>	<u>723</u>
Deferred tax		
Generated in the current period	<u>5,383</u>	( <u>4,871</u> )
Income tax expense (income) recognized in profit or loss	<u>\$ 5,883</u>	( <u>\$ 4,148</u> )

Adjustment of accounting income and income tax expense (income) is as follows:

	<u>2023</u>	<u>2022</u>
Net profit (loss) before tax	<u>\$ 24,261</u>	( <u>\$ 23,339</u> )
Income tax on net profit (loss) before tax at the statutory tax rate	\$ 4,852	( \$ 4,667 )
Nondeductible expenses in determining taxable income	514	-
Tax-free income	-	( 204 )
Income tax on undistributed earnings	-	154
Unrecognized deductible temporary differences	130	-
R&D expenditures offset in the current year	( 34 )	-
Adjustments to income tax expenses of prior years	<u>421</u>	<u>569</u>
Income tax expense (income) recognized in profit or loss	<u>\$ 5,883</u>	( <u>\$ 4,148</u> )

(II) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
Generated in the current period		
- Remeasurement of defined benefit obligation	<u>\$ 571</u>	<u>\$ 1,138</u>
Income tax recognized in other comprehensive income	<u>\$ 571</u>	<u>\$ 1,138</u>

(III) Income tax assets and liabilities of the current period

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Income tax receivable	<u>\$ 8,494</u>	<u>\$ 8,274</u>

## (IV) Deferred income tax assets and liabilities

## Changes in deferred income tax assets and liabilities:

2023

	Beginning balance	Recognized as loss (profit)	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Financial liabilities at fair value through profit or loss	\$ 69	\$ 179	\$ -	\$ 248
Provision for bad debts	4,617	342	-	4,959
Impairment loss	136	-	-	136
Write-down of inventories	6,038	( 3,617 )	-	2,421
Unrealized gross sales profit of inventory in transit	246	213	-	459
Unrealized gross profit of goods sold to subsidiaries	1	15	-	16
Financial assets measured at cost	7,591	-	-	7,591
Unrealized exchange loss	79	( 79 )	-	-
Loss deduction	1,528	( 1,528 )	-	-
Defined-benefit retirement plan	2,396	( 279 )	-	2,117
	<u>\$ 22,701</u>	<u>( \$ 4,754 )</u>	<u>\$ -</u>	<u>\$ 17,947</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Property, plant, and equipment	\$ 45,365	\$ -	\$ -	\$ 45,365
Unrealized gross sales profit of inventory in transit	173	399	-	572
Defined-benefit retirement plan	303	-	571	874
Unrealized exchange gains	-	230	-	230
	<u>\$ 45,841</u>	<u>\$ 629</u>	<u>\$ 571</u>	<u>\$ 47,041</u>

2022

	Beginning balance	Recognized as loss (profit)	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Financial liabilities at fair value through profit or loss	\$ 37	\$ 32	\$ -	\$ 69
Provision for bad debts	5,248	( 631 )	-	4,617
Impairment loss	136	-	-	136
Write-down of inventories	1,902	4,136	-	6,038
Unrealized gross sales profit of inventory in transit	523	( 277 )	-	246
Unrealized gross profit of goods sold to subsidiaries	83	( 82 )	-	1
Financial assets measured at cost	7,591	-	-	7,591
Unrealized exchange loss	-	79	-	79
Loss deduction	-	1,528	-	1,528
Defined-benefit retirement plan	3,473	( 242 )	( 835 )	2,396
	<u>\$ 18,993</u>	<u>\$ 4,543</u>	<u>( \$ 835 )</u>	<u>\$ 22,701</u>

	Beginning balance	Recognized as loss (profit)	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax liabilities</u>				
Temporary difference				
Property, plant, and equipment	\$ 45,365	\$ -	\$ -	\$ 45,365
Unrealized gross sales profit of inventory in transit	481	( 308 )	-	173
Defined-benefit retirement plan	-	-	303	303
Unrealized exchange gains	<u>20</u>	<u>( 20 )</u>	<u>-</u>	<u>-</u>
	<u>\$ 45,866</u>	<u>( \$ 328 )</u>	<u>\$ 303</u>	<u>\$ 45,841</u>

(V) Unused investment offset of deferred income tax not recognized in the parent company only balance sheet

	<u>December 31, 2022</u>
Investment offsets	
R&D expenditures	<u>\$ 557</u>

(VI) Income tax assessments

The Company's profit-seeking enterprise income tax declaration has been approved by the tax collection authority up to and including 2021.

XXIV. Earnings (losses) per share

	<u>2023</u>	Unit: NTD Per Share <u>2022</u>
Basic earnings (loss) per share	<u>\$ 0.30</u>	( <u>\$ 0.31</u> )
Diluted (loss) per share	<u>\$ 0.30</u>	( <u>\$ 0.31</u> )

The earnings (loss) and the weighted average number of common shares issued for the calculation of earnings (loss) per share are as follows:

Net profit (loss) of the period

	<u>2023</u>	<u>2022</u>
Net profit (loss) used to calculate basic earnings (loss) per share	<u>\$ 18,378</u>	( <u>\$ 19,191</u> )
Net profit (loss) used to calculate diluted earnings (loss) per share	<u>\$ 18,378</u>	( <u>\$ 19,191</u> )

Number of shares

	<u>2023</u>	Unit: Thousand Shares <u>2022</u>
Weighted average number of ordinary shares in the computation of basic earnings (losses) per share	61,056	61,056
Effect of potentially dilutive ordinary shares:		
Employees' remuneration	<u>26</u>	<u>19</u>
Weighted average number of ordinary shares in the computation of diluted earnings (losses) per share	<u>61,082</u>	<u>61,075</u>

If the Company has the option to pay employees' remuneration in shares or cash, the calculation of diluted earnings (losses) per share is based on the assumption that the employees' remuneration will be issued in shares, and the weighted average number of outstanding shares will be included in the calculation of diluted earnings (losses) per share when the potential

common shares are diluted. Such a dilutive effect of the potential shares is included in the employees' compensation of diluted earnings per share until the shareholders resolve the number of ordinary shares to be distributed to employees at their meeting in the following year.

XXV. Cash flow information

(I) Non-cash transactions

The Company conducted the following non-cash investment and financial activities in 2023 and 2022:

1. In 2023, the Company acquired NTD24,030 thousand of property, plant and equipment. Among other payables, the total amount of equipment payables increased by NTD813 thousand. The total amount of cash paid for the purchase of property, plant and equipment was NTD23,217 thousand (please refer to Notes 13 and 18).
2. In 2022, the Company acquired NTD7,239 thousand of property, plant and equipment. Among other payables, the total amount of equipment payables increased by NTD1,182 thousand. The total amount of cash paid for the purchase of property, plant and equipment was NTD6,057 thousand (please refer to Notes 13 and 18).

(II) Changes in liabilities from financial activities

2023

	<u>January 1, 2023</u>	<u>Cash flow</u>	<u>December 31, 2023</u>
Short-term notes payable	<u>\$ 12,714</u>	<u>\$ 19,416</u>	<u>\$ 32,130</u>

2022

	<u>January 1, 2022</u>	<u>Cash flow</u>	<u>December 31, 2022</u>
Short-term borrowing	\$ 913	(\$ 913)	\$ -
Short-term notes payable	<u>30,005</u>	<u>( 17,291)</u>	<u>12,714</u>
	<u>\$ 30,918</u>	<u>(\$ 18,204)</u>	<u>\$ 12,714</u>

XXVI. Capital management

The Company conducts capital management to ensure that it can maximize shareholder returns by optimizing debt and equity balances on the premises of continuing operation.

The Company adopts a prudent risk management strategy and conducts regular reviews, and makes an overall plan based on business development strategies and operational needs to determine the appropriate capital structure for the Company.

XXVII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The management of the Company considers that as the maturity date of the carrying amount of financial assets and financial liabilities not measured at fair value is near, or that the future payment price is equivalent to the carrying amount, the carrying amount is close to its fair value.

(II) Fair value information - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at fair value through profit or loss				
Derivatives	<u>\$ -</u>	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 1,241</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at fair value through profit or loss				
Derivatives	<u>\$ -</u>	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 344</u>

There was no transfer between level 1 and level 2 fair value measurements in 2023 and 2022.

2. Evaluation technology and input value of level 2 fair value measurement

<u>Types of financial instruments</u>	<u>Evaluation technology and input value</u>
Derivative instrument - FX forward contract	Discounted cash flow method: The future cash flow is estimated at the observable forward exchange rate at the end of the period and the exchange rate set in the contract, and discounted respectively at a discount rate that can reflect the credit risk of each counterparty.

(III) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets measured at amortized costs		
Cash and cash equivalents	\$ 350,423	\$ 327,373
Financial assets measured at amortized costs - current		
Notes receivable	99,000	99,000
Notes receivable - related parties	37,185	34,415
Accounts receivable	16,330	32,611
Accounts receivable - related parties	89,415	82,716
Refundable deposits	2,661	8,488
	210	210
<u>Financial liabilities</u>		
Measured at cost after amortization		
Short-term notes payable	32,130	12,714
Notes payable	3,797	3,392
Accounts payable	19,847	23,006
Other payables	22,865	20,386
Financial liabilities measured at fair value through profit or loss	1,241	344

(IV) Financial risk management objective and policies

The financial instruments of the Company include equity investment, accounts receivable, accounts payable and loans. The Company is committed to ensuring sufficient and cost-effective working capital when necessary. The Company prudently manages the foreign currency exchange rate risk, interest rate risk, equity instrument price risk, credit risk and liquidity risk related to operating activities, in order to reduce the potential adverse impact of market uncertainty on the Company's finance.

The important financial planning of the Company has been reviewed by the board meeting in accordance with relevant norms and internal control systems. In carrying out financial planning, the Finance Department of the Company strictly abides by the relevant financial operation procedures related to the overall financial risk management and the division of rights and responsibilities.

1. Market risk

The financial risk caused by the operating activities of the Company to itself are the foreign currency exchange rate change risk and the interest rate change risk. The Company uses derivative financial instruments to manage the risk of foreign currency exchange rate changes.

(1) Foreign currency risk

The Company engages in sales and purchase transactions denominated in foreign currencies, thus causing it to be exposed to foreign currency exchange rate changes. In order to avoid fluctuations in future cash flows due to changes in foreign currency exchange rates, the Company uses FX forward contracts to avoid foreign currency exchange rate risks. The Company also borrows short-term foreign currency loans to offset part of the foreign currency exchange rate risks arising from transaction conversion. The use of derivative financial instruments such as FX forward contracts can help the Company reduce but

still cannot completely exclude the impact of foreign currency exchange rate changes.

Please refer to Note 31 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies of the Company on the balance sheet date.

Sensitivity analysis

The sensitivity analysis of the foreign currency exchange rate risk is mainly calculated for foreign currency monetary items at the end of the reporting period. When the New Taiwan dollar appreciates by 5% against foreign currencies, the Company's net profit before tax in 2023 will increase by NTD1,043 thousand and net loss before tax in 2022 will increase by NTD74 thousand; when the New Taiwan dollar depreciates by 5% against the foreign currency, the impact on the Company's net profit (loss) before tax in the years 2023 and 2022 will be a negative number of the same amount.

(2) Interest rate risk

Interest rate exposure occurs because the Company borrows funds at both fixed and floating interest rates.

The carrying amounts of the financial assets and financial liabilities of the Company exposed to interest rate exposure on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
-Financial assets	\$ 379,957	\$ 348,937
-Financial liabilities	32,130	12,714
Cash flow interest rate risk		
-Financial assets	69,386	77,356

Sensitivity analysis

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments on the balance sheet date. For floating rate liabilities, the analysis method assumes that all the amount of liabilities circulating on the balance sheet date is circulating during the reporting period. The rate of change used by the Company when reporting interest rates internally to the key management is an increase or decrease of one basis point (1%) in the interest rate, which also represents the management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases/decreases by one hundred basis points (1%), with all other variables remain unchanged, the Company's net profit before tax in 2023 will increase by NTD694 thousand and net loss before tax in 2022 will increase by NTD774 thousand, mainly because of the interest rate change position risk arising from the bank borrowings of the Company with floating interest rates.

(3) Other price risks

The Company has an equity price exposure due to its investment in TWSE and TPEX listed equity securities and fund beneficiary certificates. The equity investments are not held for trading but mainly for earning dividend income. The Company does not actively trade these investments, and regularly evaluates the impact of market price risk in order to minimize the risk.

Sensitivity analysis

Sensitivity analysis is based on equity price risk on at the balance sheet date. If the equity price increases/decreases by 5%, the pre-tax net profit (loss) of 2023 and 2022 will increase/decrease by NTD62 thousand and NTD17 thousand respectively due to the increase/decrease in the fair value of the investments held for trading.

2. Credit risk

Credit risk refers to the potential impact of the counterparty's failure to perform its contractual obligations on the Company's financial losses. As of the balance sheet date, the maximum credit risk exposure of the Company's that may result in financial losses due to the counterparty's failure to perform its obligations is mainly from the book value of financial assets recognized in the parent company only balance sheet.

The receivables of the Company cover many customers, and most of the receivables do not have collaterals. The Company continuously evaluates the financial status of customers with accounts receivable to reduce the credit risk of accounts receivable, and reviews the recoverable amount of accounts receivable one by one on the balance sheet date to ensure appropriate impairment losses have been provided for uncollectable receivables.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to meet operating needs and mitigate the impact of cash flow fluctuations. The management of the Company supervises the use of banks' financing lines and ensures compliance with the terms of the loan contract.

Bank borrowings are an important source of liquidity for the Company. As of December 31, 2023 and December 31, 2022, the Company's unused short-term bank facilities were NTD777,870 thousand and NTD970,126 thousand, respectively.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities is prepared based on the earliest date on which the Company may be required to repay, and the undiscounted cash flows (including principal and estimated interest) of financial liabilities. Therefore, the bank loans which the Company may be required to repay immediately are listed in the earliest period in the table below, regardless of the probability of the banks' immediate execution of the right; the maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment dates.

December 31, 2023

	Effective interest rate (%)	Less than 1 Year	1 to 5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term notes payable					
	-	\$ 32,130	\$ -	\$ -	\$ 32,130
Notes payable	-	3,797	-	-	3,797
Accounts payable	-	19,847	-	-	19,847
Other payables	-	22,865	-	-	22,865

December 31, 2022

	Effective interest rate (%)	Less than 1 Year	1 to 5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term notes payable					
	-	\$ 12,714	\$ -	\$ -	\$ 12,714
Notes payable	-	3,392	-	-	3,392
Accounts payable	-	23,006	-	-	23,006
Other payables	-	20,386	-	-	20,386

(2) Liquidity and interest rate risk table of derivative financial liabilities

Regarding the liquidity analysis of derivative financial instruments, it is prepared on the basis of undiscounted net contractual cash inflows and outflows for derivatives delivered on a net basis; for derivatives settled in the aggregate amount, it is prepared on the basis of total undiscounted cash inflows and outflows. When the amount payable or receivable is not fixed, the disclosed amount is determined based on the expected interest rate estimated by the yield curve on the balance sheet date.



December 31, 2023

	Immediate repayment or in less than 1 month	1~3 months	3 months to 1 year	1~5 Years	More than 5 years
<u>Aggregate amount settlement</u>					
FX forward contracts					
- Inflow	\$ -	\$ 31,983	\$ -	\$ -	\$ -
- Outflow	-	( 33,224 )	-	-	-
	<u>\$ -</u>	<u>( \$ 1,241 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	Immediate repayment or in less than 1 month	1~3 months	3 months to 1 year	1~5 Years	More than 5 years
<u>Aggregate amount settlement</u>					
FX forward contracts					
- Inflow	\$ -	\$ 12,671	\$ -	\$ -	\$ -
- Outflow	-	( 13,015 )	-	-	-
	<u>\$ -</u>	<u>( \$ 344 )</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

XXVIII. Related party transactions

In addition to those disclosed in other notes, the transactions between the Company and related parties are as follows:

(I) Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Sun Yang Global Co., Ltd.	Subsidiary

(II) Sale

<u>Line Item</u>	<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
Sale	Sun Yang Global Co., Ltd.	<u>\$ 99,810</u>	<u>\$ 181,398</u>

The transaction price and payment period for the purchase and sale of the Company's related parties are comparable to those of ordinary customers.

(III) Receivables from related parties (excluding loans to related parties)

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable - related parties	Sun Yang Global Co., Ltd.	<u>\$ 16,330</u>	<u>\$ 32,611</u>
Accounts receivable - related parties	Sun Yang Global Co., Ltd.	<u>\$ 2,661</u>	<u>\$ 8,488</u>

There is no collateral for receivables from related parties in circulation. Expected credit losses are not included in accounts receivable from related parties in 2023 and 2022.

(IV) Other related party transactions

Miscellaneous income

<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
Sun Yang Global Co., Ltd.	<u>\$ 21</u>	<u>\$ 20</u>

(V) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 10,328	\$ 11,280
Post-employment benefits	<u>6,915</u>	<u>510</u>
	<u>\$ 17,243</u>	<u>\$ 11,790</u>

The remuneration of directors and other key management is determined by the Remuneration Committee in accordance with individual performance and market trends.

XXIX. Pledged Assets

The following assets of the Company have been provided as collateral for bank loans:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant, and equipment		
Land	\$ 126,840	\$ 126,840
Building	<u>29,205</u>	<u>30,212</u>
	<u>\$ 156,045</u>	<u>\$ 157,052</u>

XXX. Significant contingent liabilities and unrecognized contract commitments

The Company has the following major commitments and contingencies on the balance sheet date:

- (I) As of December 31, 2023 and December 31, 2022, the amount of customs duty guarantee issued by the Company to banks for imported goods was NTD8,000 thousand.
- (II) As of December 31, 2023 and December 31, 2022, the amount of unused letters of credit issued by the Company for imported raw materials was USD479 thousand and USD158 thousand.
- (III) The guarantee notes payable issued by the Company for bank loans are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	\$ -	\$ 4,000
NTD	160,000	160,000

XXXI. Significant assets and liabilities denominated in foreign currencies

The following information is aggregated and expressed in foreign currencies other than the Company's functional currency, and the exchange rates disclosed refer to the exchange rates at which these foreign currencies are converted to the functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book value</u>
Foreign currency asset			
<u>Monetary item</u>			
USD	\$ 153	30.705 (USD: NTD)	\$ 4,704
RMB	1,516	4.327 (RMB: NTD)	<u>6,559</u>
			<u>\$ 11,263</u>

Foreign currency liabilities

<u>Monetary item</u>			
USD	1,046	30.705 (USD: NTD)	<u>\$ 32,130</u>

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Book value</u>
Foreign currency asset			
<u>Monetary item</u>			
USD	\$ 257	30.71 (USD: NTD)	\$ 7,892
RMB	1,431	4.408 (RMB: NTD)	<u>6,309</u>
			<u>\$ 14,201</u>

Foreign currency liabilities

<u>Monetary item</u>			
USD	414	30.71 (USD: NTD)	<u>\$ 12,714</u>

The foreign currency exchange gains (realized and unrealized) of the Company in 2023 and 2022 were NTD1,421 thousand and NTD110 thousand, respectively. Due to the wide variety of foreign currency transactions, it is not possible to disclose the exchange gains and losses according to the major influences of the foreign currencies.

XXXII. Other Disclosures

- (I) Material transaction.
  - 1. Loans to others: None.
  - 2. Endorsements/guarantees for others: None.
  - 3. Securities held at period end: None.
  - 4. The cumulative amount of the same securities purchased or sold reaches NTD300 million or 20% of the paid-in capital: None.
  - 5. The amount of real estate acquired reaches NTD300 million or 20% of the paid-in capital: None.
  - 6. The amount of real estate disposed of reaches NTD300 million or 20% of the paid-in capital: None.
  - 7. The amount of goods purchased or sold with related parties reaches NTD100 million or 20% of the paid-in capital: None.
  - 8. The amount of accounts receivable from related parties reaches NTD100 million or 20% of the paid-in capital: None.
  - 9. Engagement in derivative trading. (Note 7)
- (II) Information related to investees. (Table 1)
- (III) Mainland China investment information: None.
- (IV) Information of major shareholders: name, number of shares held and proportion of shareholders with 5% shareholding or more. (Table 2)

Yong Shun Chemical Co., Ltd.  
 Invested company information, location... etc.  
 2023

Table 1

Unit: NTD thousand; (share)

Name of the investor	Name of investee	Location	Main business activities	Original Investment Amount		Shares held as at end of the period			Net profit (loss) of the investee of current period	Investment gain/loss recognized in the current period	Remarks
				End of the current period	End of the previous year	Number of shares	Ratio (%)	Book value			
Yong Shun Chemical Co., Ltd.	Sun Yang Global Co., Ltd.	Taiwan	Subsidiary for manufacturing and sales of synthetic resins, plastics, coatings, paints and industrial additives	\$ 50,000	\$ 50,000	5,000,000	100	\$ 60,246	(\$ 2,239)	(\$ 2,239)	Subsidiaries

Yong Shun Chemical Co., Ltd.  
Information on major shareholders  
December 31, 2023

Table 2

Name of major shareholder	Shares	
	Shareholding	Percentage of shareholding
Lin, Tsyr-Huan	6,305,327	10.32%
Lin, Tsyr-Hung	4,469,367	7.32%
Lin, Tsyr-Hsi	4,457,788	7.30%
Lin, Cheng-Chien	4,205,821	6.88%
Tsai, Cheng-Fung	3,492,490	5.72%

Note 1: The information on major shareholders in this table is calculated by TDCC on the last business day at the end of the current quarter for shareholders who hold more than 5% of the ordinary shares and special shares that have been delivered by the Company without physical registration (including treasury shares). The share capital recorded in the Company's parent company only financial statements and the actual number of scripless shares delivered may be different due to the calculation basis for the report preparation.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the impact on the company's financial situation: None.

## Seven. Review and Analysis of Financial Position and Financial Performance, and Assessment of Risks

### I. Review and analysis of financial status

Unit: NT\$ thousands

Item	2023	2022	Increase (decrease) amount	Ratio of change (%)	Difference explanation
Current assets	840,287	848,335	(8,048)	-0.95%	
Property, plant, and equipment	369,543	347,729	21,814	6.27%	
Intangible assets	1,272	38	1,234	3,247.37%	1
Other assets	60,807	74,590	(13,783)	-18.48%	
Total assets	1,271,909	1,270,692	1,217	0.10%	
Current liabilities	142,599	121,397	21,202	17.47%	
Non-current liabilities	75,195	85,316	(10,121)	-11.86%	
Total liabilities	217,794	206,713	11,081	5.36%	
Share capital	610,560	610,560	--	--	
Capital surplus	53,309	53,309	--	--	
Retained earnings	390,246	400,110	(9,864)	-2.47%	
Unrealized gains or losses from available-for-sale financial assets	--	--	--	--	
Total equity	1,054,115	1,063,979	(9,864)	-0.93%	

Analysis of changes in the increase/decrease:

- The intangible assets for the current period increased by NT\$1,234 thousand from the previous period, or a change ratio by 3,247.37%, mainly due to the increase in the planning expense of the factory's fire protection facilities.

## II. Review and analysis of financial performance

Unit: NT\$ thousands

Item	2023	2022	Increase (decrease) amount	Ratio of change (%)	Difference explanation
Operating revenue	768,731	1,134,234	(365,503)	-32.22%	1
Operating margin	100,944	49,267	51,677	104.89%	2
Operating profit (loss)	19,605	(27,134)	46,739	172.25%	2
Non-operating income and expenses	4,157	3,779	378	10.00%	
Net profit (loss) before tax	23,762	(23,355)	47,117	201.74%	2
Net income (loss) of continuing operations	18,378	(19,191)	37,569	195.76%	2
Loss from discontinued operations	--	--	--	--	
Net income (loss) for the period	18,378	(19,191)	37,569	195.76%	2
Other comprehensive income (loss) for the period (net amount after tax)	2,286	4,553	(2,267)	-49.79%	3
Total comprehensive income (loss) for the period	20,664	(14,638)	35,302	241.17%	2
Net profits (losses) attributable to the owners of the parent company	18,378	(19,191)	37,569	195.76%	2
Net profits (losses) attributable to non-controlling interests	--	--	--	--	
Total comprehensive income (loss) attributable to the owners of the parent company	20,664	(14,638)	35,302	241.17%	2
Total comprehensive income (loss) attributable to non-controlling equity	--	--	--	--	
Earnings (losses) per share	0.30	(0.31)	0.61	196.77%	2

### Analysis of changes in the increase/decrease:

- The operating revenue in the current period decreased by NT\$365,503 thousand, or a change ratio by -32.22%, from the previous period, mainly due to the sluggish global economy, the insufficient investment and weak export sales faced by the domestic economy, and poor demand and customers' unwillingness to purchase at home and abroad, posing negative impact to the Company's operating revenue.
- The gross profit, operating profit and loss, net profit before tax, net profit and earnings per share in the current period increased by NT\$51,677 thousand, NT\$46,739 thousand, NT\$47,117 thousand, NT\$37,569 thousand and NT\$0.61, respectively, from the previous period, or the percentage of change by 104.89%, 172.25%, 201.74%, 195.76%, and 196.77%, mainly because the price of raw materials has increased since 2023Q1, and the sales price has also increased, thereby resulting in the increase in gross profit, operating profit or loss, profit before tax, net profit and earnings per share from the previous period.
- Other comprehensive income in the current period decreased by NT\$2,267 thousand from the previous period, or a change ratio by -49.79%, mainly due to the re-measurement of the defined benefit plan in the current period decreased by NT\$2,834 thousand from the previous period.



### III. Review and analysis of cash flows

#### (I) Changes in cash flows during the year:

Unit: NT\$ thousands

Cash at the beginning of the period (1)	Annual net cash inflow from operating activities (2)	Annual cash outflow from investments and financial activities (3)	Residual cash amount (1)+(2)+(3)	Remedies for projected cash shortfalls	
				Investment plan	Financing plan
338,067	71,636	(45,072)	364,631	-	-

The Company's 2023 net cash flow was NT\$26,564 thousand. The changes in cash flow from various activities are as follows:

1. Operating activities: The net cash inflow from operating activities was NT\$71,636 thousand, mainly due to the decrease in accounts receivable.
2. Investment activities: The net cash outflow from investment activities was NT\$35,632 thousand, mainly due to the acquisition of property, plant and equipment in the current period.
3. Financial activities: The net cash outflow from financial activities was NT\$9,440 thousand, mainly due to the decrease in short-term borrowings and cash dividends paid in the current period.

#### (II) Remedies for projected cash shortfalls and liquidity analysis:

1. Remedies for projected cash shortfalls: Not applicable.
2. Liquidity analysis

Item \ Year	December 31, 2023	December 31, 2022	Increase (decrease) ratio
Cash flow ratio	50.24%	96.90%	(48.15%)
Cash flow adequacy ratio	117.71%	98.15%	19.93%
Cash reinvestment ratio	2.26	3.07	(26.38%)

Analysis of changes in the increase/decrease:

1. Cash flow ratio: The decrease by 48.15% in the current period from the previous period was mainly due to the decrease in net cash flow from operating activities in the current period from the previous period.
2. Cash reinvestment ratio: The decrease by 26.38% in the current period from the previous period was mainly due to the decrease in the difference between net cash flow from operating activities and cash dividends in the current period from the previous period.

#### Liquidity analysis for the coming year:

Unit: NT\$ thousands

Cash at the beginning of the period	Projected full-year net cash flows from operating activities	Projected full-year cash outflow	Projected cash surplus (shortfall) amount	Remedies for projected cash shortfalls	
				Investment plan	Financing plan
364,631	95,000	63,000	396,631	-	-

1. Projected cash flow changes in 2024:
  - (1) Operating activities: Operating revenue and profits are expected from operating activities to generate cash inflows.
  - (2) Investments: Procurement of fixed assets are expected to generate net cash outflows.
  - (3) Financial activities: The distribution of cash dividends is expected to generate net cash outflows.
2. Remedies for projected cash shortfalls and liquidity analysis: Not applicable as no cash shortfalls are projected for 2024.

### IV. Effect upon financial operations of any major capital expenditures in the most recent fiscal year: None.

V. Reinvestment policy in the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improvement, and investment plans for the coming year:

In January 2010, the Company established the subsidiary, Sun Yang Global Co., Ltd., for the manufacturing and sale of shoe and hot melt adhesive. The investment loss accounted for using the equity method recognized in 2023 was NT\$2,239 thousand. Main reason for investment income and investment plan for the coming year:

(I) Main reasons for investment loss:

With the joint efforts of all employees, Sun Yang's revenue amounted to NT\$218,448 thousand in 2023. In response to the needs for differentiated products in the market, the Company has changed its business model to improve products and strengthen customer services to gain room for profit. In addition to stabilizing customers' acceptance of the Company's product quality and orders, the Company has also begun to show profitable results after making strategic adjustments to limited sales of non-profitable products. Moreover, we are proactively developing products and enhancing customer communication and technical service value in an effort to increase the selling price of our products for effective profit. Although the new product has not yet been fully accepted by the market and the competitors, China-based manufacturers, have the advantages in the price of raw materials and control the market selling price, the price of bulk products was cut for sale on the market and the market price of raw materials and supplies was controlled since the second half of the year, customers changed their procurement strategies and cut their procurement costs. As a result, the Company suffered loss of orders in the second half of the year and, therefore, the operating revenue declined significantly. The Company's overall operating revenue and profit declined from the first half of the year. Therefore, the Company suffered the loss, NT\$2,239 thousand, upon the final accounting in 2023.

Nevertheless, the Company needs to continue improving its production technology and lean management of processes, enhance the quality of the staff, while also working with the customers in developing new products and equipment maintenance, as well as to control raw materials in warehousing. By doing this, total operating costs of the Company may be well controlled, so that the Company may expect to turn a loss to profit in the future.

Main reasons:

1. In addition to the declining market demand, as China-based manufacturers, with their advantages in the price of raw materials and production costs, competed for customer orders at low prices, resulting in the Company's loss of orders. Therefore, the Company's production and operating costs have increased significantly, and the Company suffered loss upon final accounting in the year.
2. Adjust product sales strategy, increase sales of high profit products and reduced sales of low profit products, and even stop selling the products, and continue to cooperate with customers in new product development to improve customers' trust in our products and development technology and accelerate the promotion and sale of new products.
3. Work with customers to develop new product applications and the raw material consumption is high due to the frequent testing of new products.
4. Continue to maintain, sort and replace spare parts of the factory equipment to maintain its stable and precise operation; improve the production quality year by year, control the production schedule and reasonable inventory, and cut the operating cost.
5. Under the recent promotion of energy saving and carbon reduction and the circular economy, the chemical substance management and monitoring items have increased, and the cost of adding or maintaining equipment has been relatively higher due to the reduction of energy consumption in product production. It is necessary to reposition product value and establish a comprehensive new process and inspection mechanism. This led to an increase in R&D and production inspection expenses.

(II) Investment plan for the coming year:

1. In an effort to fulfill our commitment of future energy conservation and carbon reduction and ESG, aside from focusing on the development of bio-based materials in product development projects, we also review the carbon inventory and reduction of carbon emissions in the production process to gradually meet the government's carbon emission laws and regulations. At the same time, we continue to review the replacement of old production equipment, develop equipment to enhance production efficiency and strengthen product development quality. Furthermore, we have set up a research and sales team to improve the talent training and become a professional service platform to improve the flexibility of product sales and provide technical services to provide timely feedback to customers and help increase the added value and selling price of the products.
2. Strengthen the formulation of mass production reliability conditions and the implementation of systematic management to reduce energy and raw material consumption, improve cost control, and continue to deepen the competitiveness of our company in the market technical services and product refinement, and comply with customer requirements for banned chemical substances and government regulations on environmental protection, fire prevention, and building safety, and continue to invest in external testing of product testing and implementation of overall factory safety and health maintenance improvement projects. In the next five years, we will strive to achieve the global carbon emission reduction management and ESG goals.

VI. Analysis and assessment of risks in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The Company's interest expenditures in 2023 were NT\$1,460 thousand, only accounting for 0.19% of operating revenue, a slight impact on the Company's profit or loss. We are committed to reducing the cost of capital by shortening the collection deadline of receivables for early repayments so as to reduce interest expenditures.
2. The Company's exchange gains or losses in 2023 were NT\$1,989 thousand, accounting for 0.26% of operating revenue. In order to respond to exchange rate fluctuations, the Finance Department collects information on exchange rate trends and strengthens foreign exchange-related information with banks while at the same time operating forward exchange at appropriate times. The Company also directly repays foreign currency liabilities from the payment of foreign sales to avoid foreign currency exchange losses. In terms of the quotation of foreign currency sales, we also take into account the impact of exchange rate changes on costs.
3. At Yong Shun, we keep a close eye on market price fluctuations and maintain an interactive relationship with customers and suppliers. Given this, inflation has not directly impacted the Company.

(II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivative instrument transactions; the main reasons for the profits/losses generated thereby in the most recent fiscal year; and response measures to be taken in the future:

1. The Company does not engage in high-risk investments, highly leveraged investments, loan funds to other parties, or make endorsements/guarantees. To strive for prudent management, improve the financial structure and avoid unnecessary operational risks, we planned to prohibit the loaning funds to other parties or making endorsements/guarantees for others. On March 15, 2006, the Board of Directors approved to abolish the "Operating Procedures for Making of Endorsements and Guarantees" and "Operating Procedures for Loaning Funds to Others", which was submitted to and passed by the 2006 annual general meeting.
2. In order to effectively control exchange rate risks, the Company collects the latest market information and economic data. Meanwhile, we also grasp the changes in interest rates and exchange rates and appropriately engage in the pre-purchase of forward foreign exchange derivative transactions. In doing this, we stabilize operating costs while achieving the purpose of hedging. For relevant operating procedures, please refer to the provisions of the Company's "Regulations Governing the Acquisition and Disposal of Assets".

(III) Research and development work to be carried out in the future, and expected expenditures for research and development work:

R&D plan	Current progress of future R&D plan	R&D expenses reinvested
Research and development of decomposable multi-layer unsaturated polyester resin.	Commercialization of R&D testing	NT\$1,200 thousand
Development and application of impact-resistant and highly ductile resins	Commercialization of R&D testing	NT\$1,200 thousand
Continue the development and application of high-temperature resistant TPU products in 2023	Commercialization of R&D testing	NT\$1,200 thousand
Continue the development and application of bio-succinic acid in PU resin in 2023	Commercialization of R&D testing	NT\$1,200 thousand
Development and application of bio-10-C acid in PU resin	Commercialization of R&D testing	NT\$1,200 thousand
Development and application of flame-retardant unsaturated polyester resin	Commercialization of R&D testing	NT\$1,200 thousand

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment in Taiwan and abroad, and measures to be taken in response:

We keep a close eye on changes in important domestic and foreign policies and laws. The impact of these changes on the Company is evaluated. The Company's financial operations were not affected by changes in important domestic and foreign policies and laws in the most recent fiscal year.

- (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 pay close attention to technological changes at all times and assign specialists to assess the overall impact on the Company and future developments depending on the situation. This way, we are able to better respond to the impact of technological changes on the Company's finances. The Company was not impacted by technological changes in the most recent fiscal year.
- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:  
We have always been a law-abiding enterprise and strive for maintaining a good corporate image. Moreover, we fulfill our business philosophy of providing the best service to customers to achieve the goal of giving back to society. There were no corporate image changes in the most recent fiscal year.
- (VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken: The Company has no M&A plans for the time being.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response: The Company has no plans for plant expansion for the time being.
- (IX) Risks associated with any concentration of sales or purchasing operations, and measures to be taken in response:  
The Company has approximately two customers whose sales account for more than 10% of the Company's total revenue. As our operational objective is to continue to develop new customers, there is no concentration of sales. The Company has approximately two suppliers whose purchases account for more than 10% of the Company's total purchases. These suppliers have been working with the Company for a long period of time. Moreover, as the Procurement Department takes a proactive approach to developing new sources of goods while the R&D Department conducts tests and trials on different raw materials, there is no concentration of purchases.
- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, or shareholder holding more than 10% of the shares of the company has been transferred or has otherwise changed hands, and measures to be taken in response:  
The Company's directors, or shareholders holding more than 10% of the shares of the Company did not transfer a major quantity of shares or change hands.
- (XI) Effect upon and risk to the company associated with any change in governance personnel, and measures to be taken in response:  
There was no change in governance personnel as the shareholdings of the Company's directors, and major shareholders are stable.
- (XII) List major litigious, non-litigious or administrative disputes that involve any company director, the general manager, any person with actual responsibility, any major shareholder holding a stake of more than 10%, or any subordinate companies and have been concluded by means of a final and unappealable judgment, or are still under litigation; where such a dispute could materially affect shareholders' equity or the prices of the company's securities, disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:  
No such circumstance occurred to the Company.
- (XIII) Other important risks and measures to be taken in response: None.

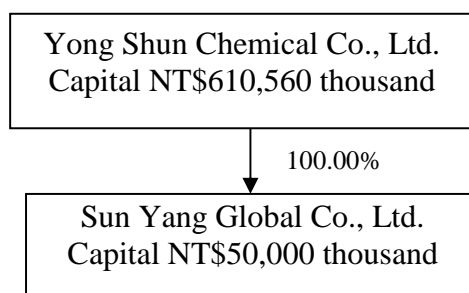
VII. Other important matters: None.

## Eight. Special Items to Be Included

### I. Information on affiliates

#### (I) Consolidated Business Report of Affiliates

##### 1. Organizational chart of affiliates



##### 2. Basic information of each affiliate

Unit: NT\$ thousands

Company name	Date of Establishment	Address	Paid-in Capital	Main Business or Production Items
Sun Yang Global Co., Ltd.	2010.01.08	11F., No. 168, Songjiang Road, Taipei, Taiwan	50,000	Manufacturing and sale of shoe and hot melt adhesive

3. Information on the same shareholders who are presumed to have a relationship of control and subordination: None

4. Industries covered by the businesses operated by the affiliates as a whole: Chemical manufacturing industry

##### 5. Information on directors, supervisors and general managers of each affiliate

Unit: Shares; %

Company name	Title	Representative name	Shareholding	
			Number of Shares	Percentage of shareholding %
Sun Yang Global Co., Ltd.	Chairman	Yong Shun Chemical Co., Ltd. Representative: Lin, Tsyrr-Huan	5,000,000	100%
Sun Yang Global Co., Ltd.	Director	Yong Shun Chemical Co., Ltd. Representative: Tsai, Cheng-Fung	5,000,000	100%
Sun Yang Global Co., Ltd.	Director	Yong Shun Chemical Co., Ltd. Representative: Lin Wu, Fang-Mei	5,000,000	100%
Sun Yang Global Co., Ltd.	Supervisor	Yong Shun Chemical Co., Ltd. Representative: Tsai, Chi-Lung	5,000,000	100%
Sun Yang Global Co., Ltd.	General Manager	Shih, Kun-Chin	-	-

##### 6. Business overview of affiliates

Unit: NT\$ thousand/NT\$

Company name	Capital amount	Total assets	Total liabilities	Net value	Operating revenue	Income before income tax	Current net profit (after tax)	Earnings per share (after tax)
Sun Yang Global Co., Ltd.	50,000	163,508	103,183	60,325	218,448	(2,739)	(2,239)	(0.44)

7. The Company's affiliates did not loan funds to others, nor did they provide endorsements/guarantees.

(II) Consolidated Financial Statements of Affiliates:

Statement of Consolidated Financial Statements of Affiliated Companies

For the year 2023 (January 1, 2023~December 31, 2023), the companies that should be included in the consolidated financial statements of affiliated companies in accordance with the "Regulations Governing the Preparation of Consolidated Statements of Operations of Affiliated Companies and Related Party Reports" are the same as those that should be included in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 10, and the information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies, therefore no separate consolidated financial statements of the affiliated companies are prepared.

We hereby state the above.

Company name: Yong Shun Chemical Co., Ltd.

Person in charge: Tsai Cheng-Fung

March 11, 2024

(III) Affiliation Report: None.

- II. Private placement of securities in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- III. Holding or disposal of shares in the company by subsidiaries in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
- IV. Other matters that require additional description: The Company completed all commitments of a TPEX-listed company.
- V. Companies listed on the TWSE and TPEX shall include an explanation of any material differences from the rules of the Republic of China (Taiwan) in relation to the protection of shareholder equity: Not applicable.

**Nine. Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Occurred in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.**

 **Yong Shun Chemical Co., Ltd.**

**Person in charge: Tsai, Cheng-Fung**