

Stock Code: 6582



Shin Foong Specialty and Applied Materials Co., Ltd.

2022

Annual Report

This annual report is available at <http://mops.twse.com.tw>

Shin Foong's website: <http://www.shinfoong.com.tw>

Published on April 17, 2023

1. Name, position, tel no. And e-mail address of spokesperson and deputy spokesperson

Spokesperson: KUO YI LING

Position: Manager

Telephone Number: (07)269-3345

Deputy Spokesperson: WANG CHENG FU

Position: Project Manager

Telephone Number: (07)269-3345

E-Mail Address: shinfoong@shinfoong.com.tw

2. The address and telephone number of the company's headquarters, branch offices, and factories

1. Headquarters and Pingtung Factory

Address: No. 55, Sec. 3, Zhongshan Rd., Taiyuan Village, Fangliao Township, Pingtung County

Factory Telephone No.: (08)866-0088

2. Branch

Address: 36F-2, No. 38, Xinguang Rd., Lingya District, Kaohsiung City

Telephone Number: (07)269-3345

3. The name, address, website, and telephone number of the agency handling shares transfer

Name: SinoPac Securities Co., Ltd.

Address: 3F, No. 17, Bo'ai Rd., Taipei City

Telephone Number: (02) 2381-6288

Website: <http://securities.sinopac.com/>

4. The names of the certified public accountants who duly audited the annual financial report for the most recent fiscal year, and the name, address, website and telephone number of the accounting firm to which they belong

Names of CPAs: CPA LIU, YU-HSIANG and CPA KUO, LI-YUAN

Name of Accounting Firm: Deloitte

Address: 3F, No. 88, Chenggong 2nd Rd., Qianzhen District, Kaohsiung City

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

Telephone No. (07)530-1888

5. The 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

6. The Company's website: <http://www.shinfoong.com.tw>

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as Stipulated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and
Exchange Act

Appendix 1: 2022 Financial Statements and Auditor's Audit Report

Appendix 2: 2022 Consolidated Financial Statements and Auditor's Audit Report

I. Report to Shareholders

2022 Business Report

1. Business Results for 2022

- (1) The implementation results of the business plan and the impact of external competitive environment, regulatory environment, and overall business environment

In the post-pandemic era, both domestic and international situations are filled with challenges. Factors such as inflation, interest rate cycles, climate change, energy crisis, supply chains, geopolitical issues, and more continue to affect global economic performance. As a result, all businesses are facing unprecedented challenges. 2022 was also a year of significant market reversal, with a sharp decline in market demand. Despite this, Shin Foong Specialty and Applied Materials Co., Ltd. (hereinafter referred to as “Shin Foong” or “the Company”), leveraging its solid foundation accumulated over the years, stood firm and demonstrated teamwork. Through the collective efforts of the management team and all colleagues, Shin Foong navigated through the difficulties, demonstrating resilience and adaptability in the face of different pressures. To improve operational performance and generate greater profits, Shin Foong continuously adjusted and refined its internal processes, optimizing production and enhancing product quality. The Company also proactively adjusted its marketing strategies, closely aligning with the market trends. Taking advantage of favorable opportunities, Shin Foong maximized its sales and marketing strategies to achieve optimal profitability. In the future, Shin Foong's management team will continue to strive harder, responding to the support of all shareholders and the general public with a solid track record.

- (2) Financial Revenue and Profitability Analysis

1. Financial Revenue

Unit: NT\$1,000

Item \ Year	2022	2021	Amount increased/ decreased	Increased (decreased) %
Net operating revenue	1,702,563	8,161,714	(6,459,151)	(79.14)
Gross operating profit	429,387	4,925,151	(4,495,764)	(91.28)
Operating income	198,703	4,366,172	(4,167,469)	(95.45)
Net profit before tax	289,704	4,359,193	(4,069,489)	(93.35)

2 . Analysis for profitability

Item		Annual profitability status	
		2022	2021
Return on assets(%)		2.30	47.32
Return on equity(%)		2.63	56.96
Ratio to paid-in capital(%)	Operating income	18.71	411.23
	Net profit before tax	27.29	410.57
Net profit margin(%)		10.28	42.59
Earnings per share (NT\$) (Retroactively adjusted)		1.65	32.74

(3) Budget Execution Status

The Company did not prepare any financial forecasts

(4) Research and Development Status

The Company's research and development (R&D) is guided by the principles of environmental friendliness, health and safety, and innovative applications. We continuously utilize water-based emulsion polymerization as our foundation to explore new applications for our products, optimize processes, and enhance technology to increase product value. Our aim is to generate higher profits by creating a diverse range of related products.

2. Summary of 2023 Business Plan and Future Development Strategy

Sustainable business is the vision of Shin Foong. The key areas of focus for all employees of Shin Foong in 2023 are as follows:

(1) Business Policy

1. Strengthening marketing strategy and establishing a sales team

The Company will enhance the establishment of technical services for customer support to complement sales efforts and strengthen our comprehensive customer service portfolio. This will increase our understanding of market sales conditions and product trends. In terms of marketing strategy, we will continue to conduct internal self-assessments for positioning, goal setting, and market segmentation.

2. Enhancing R&D capability and accelerating niche product development

NBR:

The process optimization project is ongoing, aiming to improve production efficiency, enhance quality, and increase product differentiation. Additionally, we actively engage in strategic alliances with customers to collaboratively develop new products tailored to their specific needs. Furthermore, we will gradually enhance the development of high-value-added products, such as niche rubber products for medical and specialized purposes.

SBR:

We will actively explore the application of new products in both domestic and international markets, with a focus on health and environmentally friendly materials. This includes the development of materials for new energy applications, green and eco-friendly building materials, waterproof and oil-resistant coatings, formaldehyde-free wood adhesives, specialty paper markets, and other feasible applications. Additionally, we will venture into the field of bio-based materials by incorporating bio-based materials into latex and applying them to markets such as papermaking, textiles, and composite materials. Our goal is to diversify our product offerings in various fields.

3. Introducing AI smart factory, enhancing occupational safety measures and management, implementing 6S

"Respect for life and prioritizing safety" is the fundamental principle that Shin Foong cannot compromise on. To ensure the safety of employees and the Company's sustainable operations, the Company will strictly comply with relevant safety standards and regulations developed by the industry. We will re-evaluate the standard processes of every work procedure, making safety as our top priority. Taking care of oneself and helping

others, we believe that a factory that respects life and prioritizes safety can achieve sustainable operations and avoid being phased out by the times.

4. Strictly implementing internal control systems and establishing more efficient operational processes to ensure that the Company's information is open, transparent, and accurate, serving as the management's guiding principle.

(2) Business Objectives

Sales Plan for 2023:

In 2023, we will strengthen the promotion of synthetic latex for specialized applications and actively explore various potential markets, aiming to increase the sales of synthetic latex.

(3) Important Production and Sales Policies

The Company aims to continuously generate profits and achieve optimal production and sales balance.

Chairperson:



Managerial Officer:



Chief Accountant:



II. Company Profile

1. Date of establishment: July 17, 1979

2. Company history:

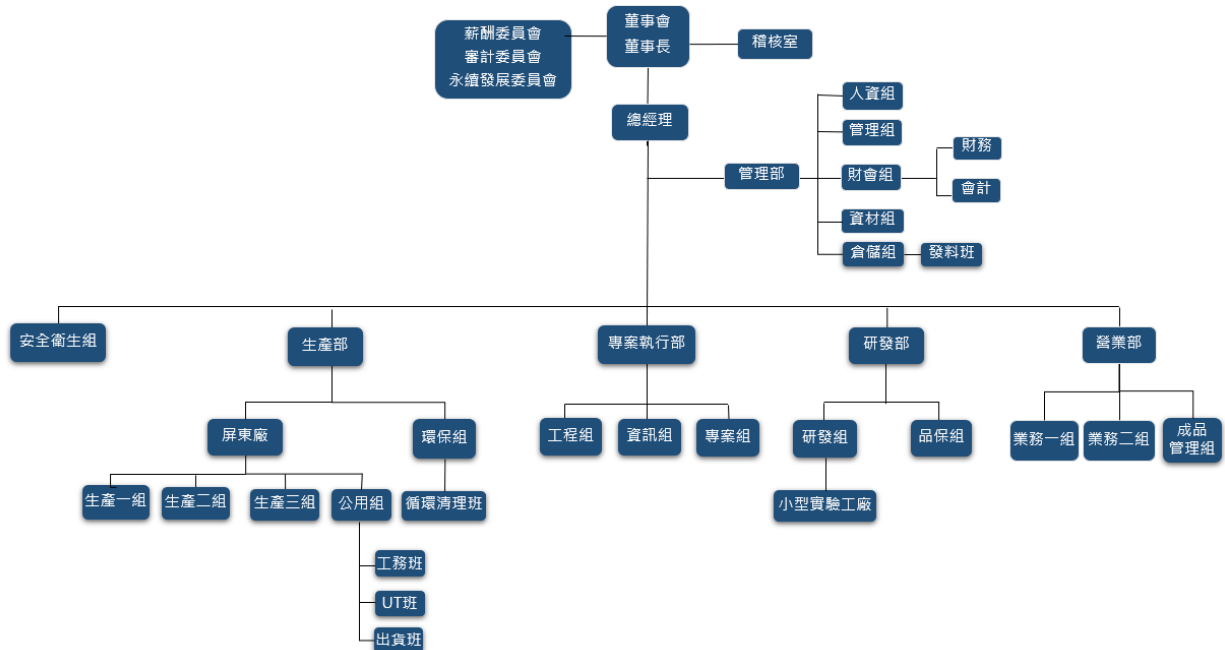
1979	Completed company establishment registration.
1980	Completed the construction of the Fengshan plant, producing synthetic latex for papermaking.
1984	Added the manufacturing and sales of adhesives for plywood secondary processing.
1990	Completed plant expansion.
1997	Started process technology improvement to overcome production bottlenecks.
1999	Completed process technology improvement and enhancement.
2000	Participated in the 921 Earthquake disaster relief activities, providing environmentally friendly disinfectants to help sanitize the surrounding environment, and received recognition and awards from the Environmental Protection Administration.
2001	Developed high-strength synthetic latex made from butadiene to replace Japanese products, obtained certifications from three major domestic paper mills, and achieved significant business growth. In December of the same year, obtained ISO 9001 certification.
2002	Increased production capacity.
2004	Completed the development of environmentally friendly (zero VOC) adhesives for wood processing and began manufacturing and selling them as substitutes for imported products.
2005	Developed high-strength, low-porosity synthetic latex made from nitrile for the production of medical and industrial examination gloves.
2006	Increased production capacity and obtained ISO 14001 certification in September of the same year.
2007	In response to full capacity, construction of a new plant began in the Pingnan Industrial Park.
2009	Completed the construction of the Pingtung plant and successfully entered the supply chain of the world's largest medical device inspection glove manufacturer.
2010	Completed phase I of the expansion project of the Pingtung plant to add production lines.
2011	Construction of Building D in the new Pingtung plant started with groundbreaking.
2012	Continued expansion of production capacity in the Pingtung plant, achieving economies of scale.
2013	Added new production lines.
2015	The production line from the Fengshan plant was relocated to the Pingtung plant.
2016	On May 24, 2016, the stock was approved for public issuance. On June 30, 2016, the stock was listed and registered on the emerging stock market. On August 2016, the Company changed its name from "Shin Foong Chemical Industry Co., Ltd." to "Shin Foong Specialty and Applied

	Materials Co., Ltd."
2017	On June 14, 2017, the stock was listed for trading on the stock market.
2020	The new production line at the Pingtung plant began operation, increasing production capacity.
2021	In January 2021, the Company completed the transfer of ownership for the purchase of land in the Pingnan Industrial Park.

III. Corporate Governance Report

1. Organizational System

(1) Organizational Chart:



(2) Business of Major Departments

Department	Major Business
Internal Audit Office	<ol style="list-style-type: none"> 1. Establishing and implementing internal control systems and management practices within the Company. 2. Planning and executing of auditing activities to identify deficiencies and provide recommendations for improvements.
Management Department	<p><u>Human Resources Division</u> Responsibilities include human resource planning, personnel-related operations, welfare management, and planning and management of education and training programs.</p> <p><u>Administration Division</u> Responsibilities include formulating management regulations, managing seals and stamps, document management, general procurement of non-specialized goods and services, handling document receipt and dispatch, and performing general affairs and administrative tasks.</p> <p><u>Finance and Accounting Division</u> <ol style="list-style-type: none"> 1. Treasury and fund management, budgeting and control, planning and management of bank transactions and cashier operations. 2. Handling of stock affairs and disclosure of public information. 3. Matters related to shareholders' meetings and the board meetings. </p>

Department	Major Business
	<p>4. Establishing accounting systems, handling accounting operations, performing cost calculation, accounting information analysis, and tax planning and filing.</p> <p>5. Preparing and submitting various financial statements.</p> <p><u>Materials Management Division</u> Responsibilities include supplier management, domestic and international procurement of materials, project contracting and budget control, collection and analysis of market raw material prices, procurement of equipment for expansion, relocation projects, and other procurement items and project contract negotiations.</p> <p><u>Warehousing Division</u> 1. Organizing and controlling inventory levels. 2. Purchase requisition, receiving, and inspection. 3. Purchase operations for raw materials and inventory accounting processing. 4. Management of obsolete and waste materials. 5. Coordinating with on-site production for issuing and distributing materials.</p>
Production Department	<p>Responsibilities include process improvement, resolution of process-related issues, education and training, production scheduling, arranging and scheduling of raw material tanker movements, setting annual production plans and budget targets. This includes the Pingtung plant, Production Division 1, Production Division 2, Production Division 3, and Utility Division, responsible for implementing production plans, conducting inspections and recording of on-site reactors and ancillary equipment, and proposing suggestions for process improvement.</p> <p><u>Environmental Protection Division</u> 1. Implementing and supervising environmental-related activities related to air, water, waste, and hazardous substances. 2. Assisting in external communication regarding environmental affairs. 3. Maintenance, inspection, and management of water/air pollution prevention and control equipment. 4. Planning and managing environmental training programs and certifications. 5. Application for total quantity control of emissions. 6. Management and control of the use of hazardous substances and toxic chemicals. 7. Tracking the implementation of automatic inspections by relevant personnel.</p>
R&D Department	<p>1. Proposing annual R&D plans, implementing and promoting R&D goals.</p> <p>2. Planning, executing, and managing the trial production of new products and new technologies, significant product</p>

Department	Major Business
	<p>improvements, design enhancements, and process improvements.</p> <ol style="list-style-type: none"> 3. Handling major customer complaints, coordinating with various departments, providing design improvement suggestions, and conducting checks. 4. Assisting in troubleshooting and eliminating major production problems and bottlenecks, reviewing and improving the raw materials and manufacturing process of existing products. 5. Providing technical service consultations to clients, improving production processes, conducting on-site production tests for new products, and facilitating cross-functional communication with sales and R&D. 6. Proposing analytical methods for raw materials and finished products, providing reports on trends in on-site processes, analyzing data and interacting with the production site, training analysts in precise analysis methods and techniques, investigating and assessing quality issues from customer complaints, and handling non-conforming products.
Sales Department	<p>Market development, market analysis, collection of product information, quotation, order taking, coordination of shipment-related matters, collection of payments, handling customer complaints, conducting customer satisfaction surveys, organizing domestic and international exhibitions, and managing customer credit limits.</p>
Project Execution Department	<p><u>Engineering Division</u></p> <ol style="list-style-type: none"> 1. Engineering planning, cost estimation, budget analysis, cost control, execution, and quality supervision. 2. Evaluation of equipment specifications, operational efficiency, and energy efficiency analysis. 3. Engineering, Procurement, Construction (EPC): Definition of Scope of Requirements (SOR), Project Risk Management (PRM), Value Engineering (VE), Professional Construction Management (PCM). 4. Project integration: Responsible for integrating manufacturing, design, and construction teams, space requirements and planning, coordinating construction and MEP (Mechanical, Electrical, Plumbing) engineering interfaces. 5. Evaluation of personnel and engineering expertise: Establishing organizational training plans, evaluation of construction and safety management capabilities. 6. Engineering management: Planning, design, construction, acceptance, quality, budget, delivery schedule, safety (QCDS) management. 7. Engineering acceptance handover and delivery, planning and optimization of equipment efficiency in the operational phase.

Department	Major Business
	<p data-bbox="488 221 1262 322">8. License application: Application for building and usage permits, interior decoration qualification certificates, fire safety plan review and inspections.</p> <p data-bbox="488 367 807 398"><u>Information Technology</u></p> <ol data-bbox="488 405 1286 837" style="list-style-type: none"> 1. Promoting AI projects. 2. Collaborating on the planning and implementation of information engineering for factory automation and digitalization. 3. Internal system and network management, programing and data analysis to meet development needs. 4. Regularly reviewing information security policies and objectives, promoting, coordinating, supervising, and reviewing information security management, maintaining information system operation, troubleshooting information equipment issues, executing information system project plans, and protecting information security. <p data-bbox="488 882 703 913"><u>Project Division</u></p> <ol data-bbox="488 920 1203 1021" style="list-style-type: none"> 1. Development and promotion of cement additives for engineering and construction materials. 2. Projects assigned by the top management.
Safety and Health Division	<ol data-bbox="488 1032 1286 1794" style="list-style-type: none"> 1. Execution of occupational safety and health tasks. 2. Regular promotion of occupational safety and health knowledge within the plant. 3. Planning and management of occupational safety and health training programs. 4. Safety and health education and training for new employees and contractors before starting work. 5. Assisting in external communication regarding safety and health matters. 6. Environmental safety and health management in various departments, including facility inspections and checks. 7. Developing safety and health plans and guiding relevant departments in their implementation. 8. Occupational safety and health education and training, employee health checks, and health management. 9. Providing safety and health management information and advice. 10. Planning, implementing, and managing fire drills and emergency response procedures. 11. Regular inspection and management of fire equipment and fire extinguishers.

2. Information on directors, supervisors, president, vice president, assistant vice president, and leaders of various departments and branches

(1) Directors

1. Information on directors

As of April 17, 2023, Unit: share; %

Title	Name	Gender Age	Nationality or place of registration	Initial Election Date	Election Date	Term of Office	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
Chairperson	SHEU CHI MIN Representative: YFY Inc.	Male 61-70	R.O.C. R.O.C.	2012.7.25	2022.6.29	3 years	829,000 50,968,248	0.78 48.00	750,000 50,968,248	0.71 48.00	— —	— —	— —	— —	PhD in Chemistry and Biochemistry, UCLA President of Shin Foong ATMI-Director of Strategic Marketing Director of Science and Technology, Asia Area, Air Products Asia, Inc.	Note 1	—	—	—	—
Director	JEAN LIU Representative: YFY Inc.	Female 51-60	R.O.C. R.O.C.	2021.9.22	2022.6.29	3 years	- 50,968,248	- 48.00	- 50,968,248	- 48.00	— —	— —	— —	— —	Ph.D. in Chemistry, Northwestern University, U.S.A. Chairperson of YFY Inc. Vice President for Strategic Clients, Schneider Electric Taiwan Co., Ltd. Director of Chief Technology Office, Delta Electronics, Inc. Deputy Executive Vice President, Ibm Global Business Services Deputy Executive Vice President, Business Development, IBM Research	Note 2	—	—	—	—
Director	KIRK HWANG Representative: YFY Inc.	Male 71-80	R.O.C. R.O.C.	2016.8.19	2022.6.29	3 years	— 50,968,248	— 48.00	— 50,968,248	— 48.00	— —	— —	— —	— —	Ph.D. in Chemical and Materials Science, University of Wisconsin, U.S.A. Chairperson of Chung Hwa Pulp Corporation	Note 3	—	—	—	—
Director	HO YU HUEI Representative: Hoss Capital Inc.	Male 51-60	R.O.C. R.O.C.	2016.3.31	2022.6.29	3 years	— 1,805,466	— 1.70	— 1,805,466	— 1.70	— —	— —	— —	— —	BS in Computer Science, Boston University, U.S.A. Chairperson of Hoss Capital Inc. Chairperson of Hoss Investment Inc. Director of Shin Foong	Chairperson of Hoss Capital Inc. Chairperson of Hoss Investment Inc.	—	—	—	—
Independent Director	YEN, MENG-FENG	Male 51-60	R.O.C.	2022.6.29	2022.6.29	3 years	—	—	—	—	—	—	—	—	PhD in Finance, University of Reading, UK Professor, Department of Accountancy and Graduate Institute of Finance, NCKU Director of Department of Accountancy and Dean of Graduate Institute of Finance, NCKU Head of ESG and Intelligent Financial Management Laboratory at National Cheng Kung University's FinTech Innovation Center Director at Ditmanson Medical Foundation Chia-Yi Christian Hospital External Expert Director of Chunghwa Post Co., Ltd.	Professor, Department of Accountancy and Graduate Institute of Finance, NCKU Director at Ditmanson Medical Foundation Chia-Yi Christian Hospital	—	—	—	—
Independent Director	YANG, ARNOLD CHANG MOU	Male 61-70	R.O.C.	2016.8.19	2022.6.29	3 years	—	—	—	—	—	—	—	—	Ph.D. in Materials Engineering, Cornell University, U.S.A. Researcher, Almaden Research Center, San Jose, CA, U.S.A., IBM Corporation Research Division, U.S.A. Professor, Dept. of Materials Science and Engineering, National Tsing Hua University Adjunct Professor of Taipei Medical University	Professor, Dept. of Materials Science and Engineering, National Tsing Hua University	—	—	—	—
Independent Director	CHENG, FAN-TIEN	Male 61-70	R.O.C.	2022.6.29	2022.6.29	3 years	—	—	—	—	—	—	—	—	Ph.D. in Electrical Engineering from The Ohio State University, USA. Chair Professor, Institute of Manufacturing Information and Systems and Dept. of Computer Science and Information Engineering, NCKU Director of Intelligent Manufacturing Research Center, NCKU	Chair Professor, Institute of Manufacturi ng Information and Systems	—	—	—	—

Title	Name	Gender Age	Nationality or place of registration	Initial Election Date	Election Date	Term of Office	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation	
															IEEE International Conference on Automation Science and Engineering, Steering Committee Chair Convener of the Automation Discipline in the Engineering Division of the National Science Council of the Executive Yuan Professor and Dean of Institute of Manufacturing Information and Systems, NCKU Director of the Planning Office of the Institute of Electronics, National Chung-Shan Institute of Sciences & Technology	and Dept. of Computer Science and Information Engineering, NCKU Director of Intelligent Manufacturing Research Center, NCKU				

Note 1: Director of Shin Foong Trading Sdn Bhd

Note 2: Chairperson of YFY Inc., Chairperson of Fidelis IT Solutions Co., Ltd., director of YFY Mauritius Corporation, director of Effion Enertech Co., Ltd., director of Chung Hwa Pulp Corporation, director of Ensilience Co., Ltd.

Note 3: Director and Chief Technology Officer of YFY Inc., Chairperson of Chung Hwa Pulp Corporation, director of Guangdong Dingfeng Paper Industry Co., Ltd., Director of Sustainable Carbohydrate Innovation Co., Ltd., director of CHP International (BVI) Corporation, director of Global Views Educational Foundation, representative director of Center for Corporate Sustainability, Chairperson of Taiwan Paper Industry Association, executive director of Taiwan Carbon Capture Storage and Utilization Association, director of Taiwan-U.S. Carbon Capture, Utilization and Storage Industry Promotion Alliance, Chairperson of Taiwan Technical Textiles Association.

2. Major shareholders of corporate/institutional shareholders of the company

April 1, 2023

Name of Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholder
YFY Inc.	HO, SHOU-CHUAN(9.77%), Hsin Yi Foundation(5.66%), Hsin Yi Enterprise Co., Ltd.(4.69%), Hsinex International Corp.(3.62%), HO, CHENG-TING(2.80%), Supervisory Committee of YFY Inc.'s Labor Retirement Reserve(2.79%), Ju Yi Industrial Co., Ltd.(2.68%), HO, MEI-YU(2.65%), NEW TALENT LIMITED(2.16%), HO, YI-TA(2.14%)
Hoss Capital Inc.	HO YU HUEI(99.9037%), Hoss Investment Inc.(0.088%), CHEN, HUI-MEI(0.007%), CHEN, TE-YUNG(0.00%), CHEN, HUI-CHU(0.00%)

3. Major shareholders of major corporate/institutional shareholders of the company

April 1, 2023

Name of Juristic Person Shareholder	Major Shareholders of Corporate/institutional Shareholders (shareholding)
Hsin Yi Foundation	Founded in 1971, the major contributors: HO, CHUAN (deceased), HO, SHOU-SHAN (deceased), HO, SHOU-CHUAN, HO LIN, FU-HSIANG (deceased), SUN, YEH (deceased), Yuen Foong Yu Paper Mfg. Co., Ltd.(Contributing before not a listing company), Hsin Yi Enterprise Co., Ltd.
Hsin Yi Enterprise Co., Ltd.	HO, SHOU-CHUAN(27.84%), G-Trend Integration Corp.(12.50%), BRILLIANT PRIDE LIMITED (12.50%), Gouda Global Limited (12.50%), HO, MEI-YU(12.50%), Kuan Yu Investment Co., Ltd.(5.91%), HO TSAI, HUI-HSIN(2.48%), HO, HSING-HUI(2.18%), Chin Yeh Investment Co., Ltd.(1.52%), Hoss Foundation (Kaohsiung)(1.48%), Hoss Foundation (Taipei) (1.48%)
Hsinex International Corp.	HO, SHOU-CHUAN(53.13%), HO, YI-CHIA(24.48%), HO, YI-TA(22.28%), Cheng Yu Co., Ltd.(0.11%)
Ju Yi Industrial Co., Ltd.	HO, SHOU-CHUAN(76.00%), HO, YI-CHIA(24.00%)
NEW TALENT LIMITED	Modern Victory Limited(100.0%)
Hoss Investment Inc.	Smartpoint Technology Ltd. (B.V.I.)(99.81%), Hoss Capital Inc.(0.11%), HO YU HUEI(0.04%), CHEN, HUI-MEI(0.04%)

4. Disclosure of information as professional qualifications and independent status of directors and independent directors

Qualification Name	Professional qualifications and experience	Independent status	Number of other public companies in which the individual is concurrently serving as an independent director
SHEU CHI MIN Representative: YFY Inc.	<p>1. Has experience in industries such as chemistry, materials, electronics, and business management.</p> <p>2. Important educational and professional experiences are as follows: Education: Ph.D. in Chemistry and Biochemistry from the University of California, Los Angeles. Experience: President at Shin Foong, Director of Strategic Marketing at Advanced Technology Materials Inc. (ATMI), Asia Pacific Technology Director at Air Products Asia, INC.</p> <p>3. No circumstances falling under Article 30 of the Company Act.</p>	-	-
JEAN LIU Representative: YFY Inc.	<p>1. Has experience in industries such as computer engineering, chemistry, energy engineering, and business management.</p> <p>2. Important educational and professional experiences are as follows: Education: Ph.D. in Chemistry from Northwestern University, USA. Experience: Chairperson of YFY Inc., Vice President of Strategic Customers at Schneider Electric Co., Ltd., Director of the Chief Technology Office at Delta Electronics, Inc., Associate Manager of Global Enterprise Consulting Services at IBM, Business Development Manager at IBM Research.</p> <p>3. No circumstances falling under Article 30 of the Company Act.</p>	-	-
KIRK HWANG Representative: YFY Inc.	<p>1. Has experience in industries such as paper, energy technology, chemical materials, and business management.</p> <p>2. Important educational and professional experiences are as follows: Education: Ph.D. in Chemical Materials Science from the University of Wisconsin, USA. Experience: Director and Chief Technology Officer of YFY Inc., Chairperson of Chung Hwa Pulp Corporation, Director of Guangdong Dingfeng Paper Industry Co., Ltd., Director of CHP International (BVI) Corporation, director of NTU Innovation and Incubation Co., Ltd., Director of Global Views Educational Foundation, Director of Center for Corporate Sustainability, Chairperson of Taiwan Paper Industry Association, Executive director of Taiwan Carbon Capture Storage and Utilization Association, director of Effion Enertech Co., Ltd.</p> <p>3. No circumstances falling under Article 30 of the Company Act.</p>	-	-

Qualification Name	Professional qualifications and experience	Independent status	Number of other public companies in which the individual is concurrently serving as an independent director
HO YU HUEI Representative: Hoss Capital Inc.	<ol style="list-style-type: none"> Has experience in industries such as business management and financial investment. Important educational and professional experiences are as follows: Education: Bachelor's degree in Computer Mechanical Engineering from Boston University, USA. Experience: Chairperson of Hoss Capital Inc., Chairperson of Hoss Investment Inc. No circumstances falling under Article 30 of the Company Act. 	-	-
YEN, MENG-FENG	<ol style="list-style-type: none"> Has professional experience in finance, ESG, and related fields. Important educational and professional experiences are as follows: Education: Ph.D. in Finance and Financial Economics from the University of Reading, United Kingdom. Experience: Professor, Department of Accountancy and Graduate Institute of Finance, NCKU, Director of the Department of Accounting and Institute of Finance at National Cheng Kung University, Head of ESG and Intelligent Financial Management Laboratory at National Cheng Kung University's FinTech Innovation Center, director at Ditmanson Medical Foundation Chia-Yi Christian Hospital, external expert director at Chunghwa Post Co., Ltd. No circumstances falling under Article 30 of the Company Act. 	<p>As an independent director, the following independence criteria are met, including but not limited to:</p> <ol style="list-style-type: none"> Neither the independent director, his/her spouse, nor any relatives within two degrees of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. Do not hold any shares of the Company. Do not serve as a director, supervisor, or employee of any company that has a specific relationship with the Company. 	-
YANG, ARNOLD CHANG MOU	<ol style="list-style-type: none"> Has professional experience in the field of chemical materials. Important educational and professional experiences are as follows: Education: Ph.D. in Materials Engineering from Cornell University, USA. Experience: Researcher at IBM Corporation, researcher at Research Division of Almaden Research Center, San Jose, CA, USA., Professor at the Department of Materials Science and Engineering, National Tsing Hua University, Adjunct Professor at Taipei Medical University. No circumstances falling under Article 30 of the Company Act. 	<ol style="list-style-type: none"> Have not received any remuneration from providing business, legal, financial, accounting, or other services to the Company or its affiliated companies in the past two years. 	-

Qualification Name	Professional qualifications and experience	Independent status	Number of other public companies in which the individual is concurrently serving as an independent director
CHENG, FAN-TIEN	<ol style="list-style-type: none"> Has professional experience in the field of intelligent machinery. Important educational and professional experiences are as follows: Education: Ph.D. in Electrical Engineering from The Ohio State University, USA. Experience: Ph.D. in Electrical Engineering from The Ohio State University, USA., Chair Professor at the Institute of Manufacturing Information and Systems/Department of Computer Science and Information Engineering, National Cheng Kung University, Director of the Intelligent Manufacturing Research Center at National Cheng Kung University, Convener of the Automation Discipline in the Engineering Division of the National Science Council of the Executive Yuan, Professor and Director at the Institute of Manufacturing Engineering, National Cheng Kung University, Project Director at the Electronic Systems Research Division of the National Chung-Shan Institute of Science and Technology. No circumstances falling under Article 30 of the Company Act. 		-

5. Diversity and independence of the Board of Directors:

The Company advocates and respects a policy of board diversity, aiming to strengthen corporate governance and promote a sound development of the board's composition and structure. It believes that a diverse board will enhance the overall performance of the Company. The selection of board members follows the principle of selecting individuals based on their talents, with a focus on possessing diverse complementary abilities across various industries. This diversity includes basic composition factors such as age and gender, as well as industry experience and relevant skills in areas such as chemistry, chemical engineering, materials, finance and accounting, ESG, energy management, computer engineering, papermaking, intelligent machinery, etc. Additionally, board members are expected to possess capabilities in business judgment, management, leadership decision-making, and crisis handling. To strengthen the board's effectiveness and achieve the ideal goals of corporate governance, Article 20 of the Company's "Corporate Governance Guidelines" specifies the following capabilities that the board as a whole should possess.

- A. Operational judgment capability
- B. Accounting and financial analysis capability
- C. Business management capability
- D. Risk management Capability
- E. Industry knowledge
- F. International market outlook
- G. Leadership capability
- H. Decision-making capability.

The current board members come from different professional fields, providing diverse perspectives and opinions in the board meetings. The Board of Directors of the Company consists of 7 directors, including 3 independent directors. The members possess rich experience and expertise in finance, business, chemical engineering, chemical materials, and management. The diversity, complementarity, and implementation of the board members meet and exceed the standards outlined in Article 20 of the Company's Corporate Governance Guidelines. In the future, the Company will continue to assess the operational dynamics, business models, and development needs of the board to timely enhance and amend the diversity policy. This may include criteria related to fundamental qualifications, values, professional knowledge, and skills. The aim is to ensure that board members possess the necessary knowledge, skills, and qualities required for their duties. Regarding the age distribution of the board members: There is one member aged 70 or above, three members aged between 61 and 70, and three members aged below 60. Additionally, the Company emphasizes gender equality in the composition of the board. The target for the proportion of female directors is set at 15% or higher, and the current proportion stands at 14%. The Company will continue its efforts to increase the representation of female directors and strive to achieve the target. The details of the implementation are outlined in the table below:

	Gender	Having employee's status	Age			Tenure of independent director	Operational judgment capability	Financial and banking	Operating management	Risk management Capability	Industry knowledge	International market outlook	Smart machine	chemical material	Energy management
			Less than 60	61-70	Above 71										
SHEU CHI MIN	Male	-		V			V		V	V	V	V		V	
JEAN LIU	Female	-	V				V		V	V		V		V	V
KIRK HWANG	Male	-			V		V		V	V		V		V	
HO YU HUEI	Male	-	V				V		V	V		V			
YEN, MENG-FENG	Male	-	V			First term	V	V		V		V			
YANG, ARNOLD CHANG MOU	Male	-		V		Third term	V			V		V		V	
CHENG, FAN-TIEN	Male	-		V		First term	V			V		V	V		

The directors of the Company do not have the circumstances specified in Article 26, Paragraphs 3 and 4 of the Securities and Exchange Act, and there are no spousal or relatives within the second degree of kinship relationships between the directors.

(2) Profiles of President, Vice President, Deputy Executive Vice President, Division Heads, and Branch Heads

Apr. 17, 2023; Unit: share

Title	Name	Gender	Nationality	Appointment date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in any other company	Manager with a spousal or other 2nd degree of kinship			Note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation	
Chairperson (Note 1)	SHEU CHI MIN	Male	R.O.C.	2021.9.22 2012.6.19	750,000	0.71	—	—	—	—	PhD in Chemistry and Biochemistry, UCLA President of Shin Foong ATMI-Director of Strategic Marketing Director of Science and Technology, Asia Area, Air Products Asia, Inc.	Note 2	—	—	—	—
Deputy President	HSIAO JEN CHIEH	Male	R.O.C.	2023.4.17	—	—	—	—	—	—	Master in Science, National Chiao Tung University President of GenesInk Co, Ltd (French) (Taiwan, Korea and Southeast Asia) Technical Sales Manager in Asia and Head of Taiwan R&D Center, Clariant Specialty Chemicals Corp. (Switzerland) International Business and Operations Manager, Umicore Marketing and Service Corp. (Belgium)	—	—	—	—	—
Chief Strategy Officer	CHIU, HSIU-YING	Female	R.O.C.	2015.8.10	—	—	—	—	—	—	Doctor of Laws, University of Pittsburgh, U.S.A. Chairperson of Shin Foong Chairperson of YFY Inc. Chairperson of Yuen Foong Yu Paper Mfg. Co., Ltd	Note 3	—	—	—	—
Director of Accounting and Corporate Governance	KUO YI LING	Female	R.O.C.	2022.8.4	—	—	—	—	—	—	Master of Graduate Institute of Finance, NCKU Manager of Deloitte Teacher of National Kaohsiung First University of Science and Technology Independent Director, Member of Remuneration Committee, Member of Audit Committee of Chen Nan Iron Wire Co., Ltd.	Note 4	—	—	—	—
Financial Director	WANG CHENG FU	Male	R.O.C.	2022.8.4	—	—	—	—	—	—	Master of Department of Finance, National Central University Director of Finance and Accounting of Awoo (Japan) Financial Director of HannStar Display Corporation / HannsTouch Holdings Company Project Deputy Manager of Canada Swift Trade Inc. Senior Broker of Jihsun Securities Co., Ltd.	—				
Factory Manager	HSU, TUNG-CHING	Male	R.O.C.	2019.3.8	—	—	—	—	—	—	Bachelor of Chemical Engineering, National Tsing Hua University Senior Project Manager-PentaPro Materials Inc. Manager of Specialty Chemical Factory, Oriental Union Chemical Corp.	—	—	—	—	—
Manager of R&D Department	CHANG, YUNG-SHENG	Male	R.O.C.	2017.4.1	—	—	—	—	—	—	Master, Institute of Chemistry, NCKU Manager of Research Center, YFY Inc. VICE PRESIDENT OF MARKETING, CRYSOPTIX	—	—	—	—	—

Title	Name	Gender	Nationality	Appointment date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in any other company	Manager with a spousal or other 2nd degree of kinship			Note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation	
Deputy Manager of Business Department	CHAN, CHIEN-WEI	Male	R.O.C.	2023.1.30	—	—	—	—	—	—	Bachelor, Department of Agricultural Chemistry, NTU Neuto Chemical Corp.-Senior Sales Manager BASF (Shanghai, Malay)-Region Marketing & manager BASF SG MY BU country head Milliken & Company Holdings (Hong Kong)-Senior Account Manager, Marketing BASF Taiwan Ltd. -Sales Assistant Manager	—	—	—	—	—
Auditing Director	WANG, LI-MAO	Male	R.O.C.	2014.4.7	—	—	—	—	—	—	Master, Graduate Institute of International Economics, National Chung Cheng University Auditing Specialist of Yen Sun Technology Corp. Business Assistant Manager of KGI Securities Company	—	—	—	—	—

Note 1: Relieved from the duties of the President on April 17, 2023

Note 2: Director of Shin Foong Trading Sdn Bhd

Note 3: Director of YFY Inc., director of Dongguan HEC TaiGen Biopharmaceuticals Co., Ltd., director of TaiGen Biopharmaceuticals Holdings Ltd. (Beijing), director of TaiGen Biopharmaceuticals Holdings Ltd. (subsidiary in the Cayman Islands), director of Fu-Ji Management Consulting Co., Ltd., supervisor of Janie Color Works Ltd.

Note 4: Independent director of Chen Nan Iron Wire Co., Ltd., Member of the Remuneration Committee, Member of the Audit Committee.

3. Remuneration of Directors, Supervisors, Presidents and Vice Presidents for the Most Recent Year (2022)

(1) Remuneration to general directors and independent directors

Unit: NT\$1,000

Title	Name	Remuneration to Directors								The sum of A, B, C and D and proportion to net profit after tax		Remuneration to the capacity as employees								The sum of A, B, C, D, E, F and G and proportion to net profit after tax		Remuneration received from an invested company other than the company's subsidiary or parent company
		Remuneration (A)		Pension(B)		Remuneration to directors (C)		Business execution expenses (D)				Salaries, bonus and special disbursement(E)		Pension (F)		Remuneration to employees (G))						
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
Chairperson	SHEU CHI MIN Representative: YFY Inc.	-	-	-	-	2,500	2,500	168	168	2,668 1.5%	2,668 1.5%	14,778 (Note 1)	19,278 (Note 1)	108	108	-	-	-	-	17,554 10.0%	22,054 12.6%	20,887
Director	JEAN LIU Representative: YFY Inc.																					
Director	KIRK HWANG Representative: YFY Inc.																					
Director	HO YU HUEI Representative: Hoss Capital Inc.																					
Independent Director (Note 2)	CHU,PO YOUNG	1,500	1,500	-	-	3,000	3,000	288	288	4,788 2.7%	4,788 2.7%	-	-	-	-	-	-	-	-	4,788 2.7%	4,788 2.7%	-
Independent Director (Note 2)	YEN,SHI CHERN																					
Independent Director (Note 3)	YEN, MENG-FENG																					
Independent Director	YANG, ARNOLD CHANG MOU																					
Independent Director (Note 3)	CHENG, FAN-TIEN																					

1. The Company has established policies, systems, standards, and structures for the remuneration of both ordinary directors and independent directors. The remuneration amount is determined based on factors such as their responsibilities, risks, and time commitment. According to the Company's Articles of Incorporation, if the Company generates profits in a given year, director remuneration should be allocated at a rate of 2% or below of the profits. The Company allocates director remuneration in accordance with the provisions of the Articles of Incorporation, taking into account the results of Board and Director performance evaluations, as well as factors such as the responsibilities, risks, and time commitment of each director, their level of involvement in the operations of the Company, and their contribution value. The Company also considers industry standards and approves the remuneration amount through decisions made by the Remuneration Committee and the Board of Directors.

2. In addition to the disclosures in the above table, the remuneration received by the directors from providing services to all companies mentioned in the financial statements of the Company during the most recent fiscal year (such as acting as a consultant for the parent company, all companies mentioned in the financial statements, or non-employee consultants for investment businesses) is as follows: -

Note 1: Including housing rent of NT\$645 thousand and company car rent of NT\$486 thousand.

Note 2: Resigned in June 2022.

Note 3: Assumed office in June 2022.

Classification of remuneration

Classification of Remuneration paid to directors	Name of Directors			
	Sum of the 4 Remunerations (A+B+C+D)		Sum of the 7 Remunerations (A+B+C+D+E+F+G)	
	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements
Less than 1,000,000	JEAN LIU, KIRK HWANG, HO YU HUEI, CHU,PO YOUNG, YEN,SHI CHERN	JEAN LIU, KIRK HWANG, HO YU HUEI, CHU,PO YOUNG, YEN,SHI CHERN	JEAN LIU, KIRK HWANG, HO YU HUEI, CHU,PO YOUNG, YEN,SHI CHERN	JEAN LIU, KIRK HWANG, HO YU HUEI, CHU,PO YOUNG, YEN,SHI CHERN
NT\$1,000,000(inclusive)~ NT\$2,000,000(exclusive)	SHEU CHI MIN, YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, CHENG, FAN-TIEN	SHEU CHI MIN, YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, CHENG, FAN-TIEN	YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, CHENG, FAN-TIEN	YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, CHENG, FAN-TIEN
NT\$2,000,000(inclusive)~ NT\$3,500,000(exclusive)	—	—	—	—
NT\$3,500,000(inclusive)~ NT\$5,000,000(exclusive)	—	—	—	—
NT\$5,000,000(inclusive)~ NT\$10,000,000(exclusive)	—	—	—	—
NT\$10,000,000(inclusive)~ NT\$15,000,000(exclusive)	—	—	—	—
NT\$15,000,000(inclusive)~ NT\$30,000,000(exclusive)	—	—	SHEU CHI MIN	SHEU CHI MIN
NT\$30,000,000(inclusive)~ NT\$50,000,000(exclusive)	—	—	—	—
NT\$50,000,000(inclusive)~ NT\$100,000,000(exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	9 persons	9 persons	9 persons	9 persons

(2) Remuneration to supervisors (Name disclosed by aggregate remuneration): Not applicable

(3) Remuneration to president and vice presidents

Unit: NT\$1,000

Title	Name	Salaries (A)		Pension (B)		Bonus and special disbursement (C)		Remuneration to the employees (D)				The sum of A, B, C and D and proportion to net profit after tax (%)		Remuneration received from an invested company other than the company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Compa	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
President (Note 1)	SHEU CHI MIN	6,000	6,000	108	108	13,335 (Note 2)	17,835 (Note 2)	-	-	-	-	19,443 11.1%	23,943 13.7%	6,029
Chief Strategy Officer	CHIU, HSIU- YING													

Note 1: Relieved from the duties of the President on April 17, 2023

Note 2: Including housing rent of NT\$645 thousand and company car rent of NT\$1,043 thousand.

Classification of remuneration

Classification of Remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies mentioned in the financial statements
Less than 1,000,000	—	—
NT\$1,000,000(inclusive)~NT\$2,000,000(exclusive)	—	—
NT\$2,000,000(inclusive)~NT\$3,500,000(exclusive)	—	—
NT\$3,500,000(inclusive)~NT\$5,000,000(exclusive)	CHIU, HSIU-YING	CHIU, HSIU-YING
NT\$5,000,000(inclusive)~NT\$10,000,000(exclusive)	—	—
NT\$10,000,000(inclusive)~NT\$15,000,000(exclusive)	SHEU CHI MIN	—
NT\$15,000,000(inclusive)~NT\$30,000,000(exclusive)	—	SHEU CHI MIN
NT\$30,000,000(inclusive)~NT\$50,000,000(exclusive)	—	—
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	—	—
Over NT\$100,000,000	—	—
Total	2 persons	2 persons

(4) Employees' Profit Sharing Bonus Paid to the Managerial Officers and their names

Unit: NT\$1,000

Managerial officers	Title	Name	Stock	Cash	Total	Ratio to net profit after tax (%)
	President	SHEU CHI MIN (note)	-	2,127	2,127	1.2%
	Chief Strategy Officer	CHIU, HSIU-YING				
	Factory Manager	HSU, TUNG-CHING				
	Accounting Director	KUO YI LING				
	Financial Director	WANG CHENG FU				

Note 1: Relieved from the duties of the President on April 17, 2023

(5) Compare the total remuneration paid to the directors, supervisors, presidents and vice presidents of the Company by the Company and all companies in the consolidated financial statements in the most recent two fiscal years as a ratio to net profit after tax for parent company only financial statement, and explain the policies, standards, and portfolios for payment of remuneration, procedures for setting remuneration, and correlations with business performance and future risks:

1. Total remuneration paid to the directors, supervisors, presidents and vice presidents of the Company in the most recent two fiscal years as a ratio to net profit after tax for parent company only financial statement or individual financial statement:

Unit: NT\$1,000

Object of Remuneration payment		2022		2021	
		Total remuneration	Ratio to net profit after tax (%)	Total remuneration	Ratio to net profit after tax (%)
The Company	Remuneration for the directors	2,668	1.5%	12,662	0.4%
	Remuneration and reward for the independent directors	4,788	2.7%	7,803	0.2%
	President and Chief Strategy Officer	23,943	13.7%	38,700	1.1%

The total remuneration for directors, independent directors, President, and Chief Strategy Officer for 2022 decreased compared to 2021, while the ratio to net profit after tax increased. This was primarily due to a decrease in net profit after tax for 2022.

2. The policies, standards, and portfolios for payment of remuneration, procedures for determining remuneration, and correlations with business performance and risks:

(1) The policies, standards, and portfolios for payment of remuneration:

- A. The remuneration for directors of the Company is determined in accordance with Article 30 of the Company Act. It states that if the Company generates profits in any given year, a portion of the profits, up to a maximum of two percent, shall be allocated as director's remuneration. This allocation is based on the Company's profitability and is positively correlated with its operational performance.

The Company conducts regular evaluations of director performance in accordance with the "Director Performance Evaluation Guidelines". These evaluations consider factors such as the responsibilities, risks, and time commitment of each director, as well as their level of participation and contribution to the Company's operations. Industry standards are also taken into account. The evaluations are reviewed and decided upon by the Remuneration Committee and the Board of Directors, and the results are reported to the shareholders' meeting before remuneration is distributed.

B. The remuneration for executives of the Company is determined according to the Salary Regulations. Salaries calculated on a monthly basis and include regular components such as basic monthly salary, allowances (such as position allowances, meal allowances, etc.). Additionally, annual bonuses and dividends are provided. The salary standards are based on the agreements made at the time of employment, and position allowances are determined based on job evaluation. Performance bonuses and other incentives are granted based on operational performance indicators, financial conditions, business operations, and individual job performance. Furthermore, if the Company generates profits in the fiscal year, an allocation of more than one percent is set aside for employee remuneration in accordance with Article 30 of the Company Act. The Company implements performance evaluations based on the "Performance Assessment and Reward/Punishment Operating Procedures" as a reference for the issuance of executive bonuses. The performance evaluation for executives is divided into two main categories: (1) Financial Performance Indicators: based on the Company's profitability and the contribution of each department to the Company's profits, taking into account the executives' goal achievement rate, and (2) Non-financial Performance Indicators: assessing the executives' adherence to the Company's core values, their operational management capabilities, and their participation in sustainable business practices. The remuneration for their operational performance is calculated accordingly. The remuneration system is periodically reviewed based on the actual operating conditions and relevant laws and regulations.

C. The portfolio of remuneration paid by the Company is determined according to the Remuneration Committee Charter. It includes cash rewards, retirement benefits or severance pay, various allowances, and other substantial incentive measures. The scope of remuneration is in line with the guidelines for disclosure items related to director and managerial officer remuneration in the annual report of listed companies.

(2) Procedures for determining remuneration:

A. The Company has established the "Board Performance Evaluation Guidelines" to conduct regular evaluations of director performance and consider the evaluation results. Additionally, the remuneration of the Chairperson and the President is linked to the Company's operational performance indicators, which are proposed to the Board of Directors for deliberation. To fully reflect the achievement of operational performance indicators, the performance measurement standards are based on the annual operational indicators related to operations, governance, and financial results of the Company. The evaluation scope includes financial indicators such as pre-tax net profit and non-financial indicators such as the practice of the Company's core values and operational management capabilities, as well as the implementation of performance targets related to their key job responsibilities.

B. The evaluations of the Board of Directors, directors, and members of various functional committees for 2022 were conducted taking into account the external report results (Page 22) issued by the "Taiwan Investor Relations

Institute", and based on the operational performance targets. Corresponding remuneration was provided accordingly.

- C. The performance assessment and reasonableness of remuneration for directors and executives of the Company are subject to regular evaluations and reviews by the Remuneration Committee and the Board of Directors. These evaluations consider individual performance achievements, contributions to the Company, overall operational performance, future industry risks and trends, and periodically review the remuneration system based on actual business conditions and relevant laws and regulations. In addition, taking into account current trends in corporate governance, reasonable compensation is provided to balance sustainable business operations and risk management. The actual amount of remuneration disbursed to directors and executives for 2022 has been reviewed and approved by the Remuneration Committee.

(3) Correlations with business performance and future risks:

- A. The review of the Company's remuneration policy, related payment standards, and system is primarily based on the overall operational condition of the Company. It takes into consideration the achievement of performance targets and contributions when determining payment standards, aiming to enhance the overall organizational effectiveness of the Board of Directors and executives. Additionally, industry salary benchmarks are taken into account to ensure that the compensation for the Company's management team remains competitive in the industry, thereby retaining talented managerial professionals.
- B. The performance goals of the Company's executives are linked with "risk management" to ensure that risks within their scope of responsibilities are managed and prevented. The assessment results, based on actual performance, are used to link the relevant human resources and compensation policies. Important decisions made by the Company's management consider various risk factors. The performance of these decisions is reflected in the profitability of the Company, thereby establishing a correlation between the compensation of the management team and the effectiveness of risk control.
- C. The Company provides employee stock options to its executives, the actual value of which is correlated with future stock prices. This means that executives, together with the Company, bear future business risks.

4. Corporate Governance Practices

(1) Operation of the Board Meetings

The following is the attendance record of directors in the Company for the recent fiscal year (2022) and up until the date of publication of the annual report. There have been a total of 9 meetings held:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remark
Chairperson	Representative of YFY Inc.: SHEU CHI MIN	9	0	100%	Re-elected
Director	Representative of YFY Inc.: JEAN LIU	9	0	100%	Re-elected
Director	Representative of YFY Inc.: KIRK HWANG	9	0	100%	Re-elected
Director	Representative of Hoss Capital Inc.: HO YU HUEI	9	0	100%	Re-elected
Independent director	CHU, PO YOUNG	3	0	100%	Former: Resigned on June 28, 2022
Independent director	YEN, HSI-CHENG	3	0	100%	Former: Resigned on June 28, 2022
Independent director	YEN, MENG-FENG	6	0	100%	Newly elected: Assumed office on June 29, 2022
Independent director	YANG, ARNOLD CHANG MOU	6	0	100%	Re-elected
Independent director	CHENG, FAN-TIEN	5	1	83%	Newly elected: Assumed office on June 29, 2022

Other matters to be recorded:

1. If any of the following circumstances occur, the dates of the meetings, terms, contents of motion, all independent directors' opinions and the Company's response shall be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act: None

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting shall be specified:

(1) In the 1st (Extraordinary) Board Meeting of 2022, the proposal for the 2021 year-end bonus for the Chairperson and President, SHEU CHI MIN, was discussed. As the Chairperson, SHEU CHI MIN is considered an interested party in this matter and is required to abstain from participating in the discussion and voting. After the interested party abstained, the proposal was unanimously approved by all attending directors.

(2) In the 2nd Board Meeting of 2022, the proposal for the employee remuneration and director remuneration for the Company's fiscal year 2021 was discussed. SHEU CHI MIN, JEAN LIU, KIRK HWANG, HO YU HUEI, CHU, PO YOUNG, YEN, HSI-CHENG, and YANG, ARNOLD CHANG MOU abstained from participating in the discussion and voting due to their own interests in the matter. After individual interested parties abstained, the proposal was unanimously approved by all attending directors and reported at the shareholders' meeting.

(3) In the 3rd Board Meeting of 2022, the Company proposed the candidate list for the election of four directors and three independent directors for the 16th term during the shareholders' meeting in 2022.

SHEU CHI MIN, JEAN LIU, KIRK HWANG, HO YU HUEI, and YANG, ARNOLD CHANG MOU abstained due to their interests in the matter. After the proposal was unanimously approved by all attending directors, it was submitted for election at the shareholders' meeting.

- (4) In the 1st Board Meeting of 2023, the proposal for the employee remuneration and director remuneration for the Company's fiscal year 2022 was discussed. SHEU CHI MIN, JEAN LIU, KIRK HWANG, HO YU HUEI, YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, and CHENG, FAN-TIEN abstained from participating in the discussion and voting due to their own interests in the matter. After individual interested parties abstained, the proposal was unanimously approved by all attending directors and reported at the shareholders' meeting.
- (5) In the 1st Board Meeting of 2023, the proposal for the allocation of remuneration to independent directors for the fiscal year 2022 was discussed. YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, and CHENG, FAN-TIEN, as independent directors, individually abstained from participating in the discussion and voting due to their own interests in the matter. After the interested parties abstained, the proposal was unanimously approved by all attending directors.

3. Evaluation of the Board of Directors' performance: Please refer to the following pages for details.

4. Measures taken to strengthen the functionality of the Board (such as establishing an Audit Committee, enhancing information transparency, etc.) in the current and most recent year:

(1) Strengthening the Functions of the Board of Directors

1. The Company has revised and approved the "Rules and Procedures of Board Meetings", which effectively establishes a corporate governance system and strengthens the supervisory function to enhance management capabilities.
2. Directors of the Company participate in various professional development courses to strengthen their professional knowledge.
3. The Company has established the "Standard Operating Procedures for Handling Director Requests" to enhance the functioning of the Board of Directors.
4. The Company has established the "Board Performance Evaluation Guidelines" to enhance the functioning of the Board of Directors.

- (2) Enhancing Information Transparency: The Company has designated personnel to disclose its operational and financial information in real-time on the Market Observation Post System to ensure that investors have access to the latest information.

Performance evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annually	2021.11~2022.10	The scope covers the evaluation of the board, individual members of the board and functional committees.	Performance evaluation is conducted by external organizations.	Board of Directors' performance evaluation: This includes the level of involvement in company operations, the quality of board decision-making, the composition and structure of the board, the appointment and continuous education of directors, and internal controls. Individual director performance evaluation: This includes the understanding of company goals and tasks, awareness of director responsibilities, level of involvement in company operations, internal relationship management and communication, professional expertise and continuous education of directors, and internal controls.

The Company commissioned the Taiwan Investor Relations Institute, an external organization, to conduct a board performance evaluation report in December 2022. The evaluation committee members were KUO, TSUNG-LIN, HSU, PI-YUN, and CHENG, HUI-YI. The independence of the directors was assessed, and an independence statement was obtained. The evaluation process combined the review of documents provided by the company to be evaluated, self-assessment questionnaires, and on-site interviews. Based on the evaluation results, a performance evaluation report was issued and presented to the Board of Directors on February 21, 2023.

The board performance evaluation questionnaire was distributed to all board members during the period of November 1, 2021, to October 31, 2022. The response rate was 100%. The questionnaire used a 1-5 scale for assessment, where 1 indicates "strongly disagree" (unable to meet) and 5 indicates "strongly agree" (fully meet). It covered five major dimensions and outcomes:

- (1) Board composition and professional development: Score of 4.91
- (2) Board decision-making quality: Score of 4.93
- (3) Board operational efficiency: Score of 4.79
- (4) Internal control and risk management: Score of 4.91
- (5) Board involvement in corporate social responsibility: Score of 4.96

The functional committee evaluation questionnaire was distributed to all committee members during the period of November 1, 2021, to October 31, 2022. The response rate was 100%. The questionnaire used a 1-5 scale for assessment, where 1 indicates "strongly disagree" (unable to meet) and 5 indicates "strongly agree" (fully meet). It covered five major dimensions and outcomes:

- (1) Level of involvement in company operations: Score of 5.00
- (2) Awareness of functional committee responsibilities: Score of 5.00
- (3) Enhancement of functional committee decision-making quality: Score of 4.95
- (4) Composition and appointment of functional committee members: Score of 5.00
- (5) Internal control: Score of 5.00

Recommendations from on-site interviews and the Company's planned improvement measures:

- (1) Third-party verification of sustainability reports: The Company will obtain third-party verification based on operational conditions and needs.
- (2) Succession planning for board members and key management levels: Succession plans have been formulated and reported to the Board of Directors.
- (3) Development of risk management policies and procedures approved by the Board of Directors: Improvements will be made gradually based on operational conditions and needs.
- (4) Intellectual property management plan: The intellectual property management plan has been reported to the Board of Directors.
- (5) Consideration of Audit Quality Indicators (AQI) to assess the independence and suitability of certified public accountants: Implemented for the appointment in 2023.

(2) Operation of the Audit Committee or the participation of supervisors in the operation of the Board of Directors: In the recent fiscal year (2022) and up to the date of publication of the annual report, the Audit Committee held 6 meetings. The attendance of independent directors is as follows.

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remark
Independent director	CHU, PO YOUNG	2	0	100	Former: Resigned on June 28, 2022
Independent director	YEN, HSI-CHENG	2	0	100	Former: Resigned on June 28, 2022
Independent director	YEN, MENG-FENG	4	0	100	Newly elected: Assumed office on June 29, 2022
Independent director	YANG, ARNOLD CHANG MOU	6	0	100	Re-elected
Independent director	CHENG, FAN-TIEN	4	0	100	Newly elected: Assumed office on June 29, 2022

Other matters to be recorded:

1. If any of the following circumstances occur, the dates of meetings, terms, contents of motion, content of dissenting opinions, reservations, or significant recommendations from independent directors, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
 - (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: Please see the followings for details.
 - (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
2. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes for avoidance and voting shall be specified: none.
3. Communication status between independent directors and internal audit supervisors and certified public accountants (should include significant matters, methods, results, etc. of the communication carried out on the company's financial and business status):
 - (1) The internal audit supervisor submits the audit report to the independent directors for review after the completion of the audit procedures. The independent directors may communicate directly with the audit team members through various channels as needed. If significant matters arise during the audit process, the internal audit supervisor will proactively report to the independent directors as necessary.
 - (2) If the independent directors have any questions regarding the financial condition, they may contact or have interviews with the certified public accountant via telephone.
 - (3) The independent directors of the Company may discuss any questions with the auditors or the certified public accountant while participating in the Audit Committee or board meetings. Normally, they communicate via telephone or visiting the Company. The auditors attend every Audit Committee and board meeting to provide explanations and engage in discussions with the independent directors.
 - (4) The certified public accountant conducted pre-planning and post-audit meetings with the Audit Committee members and the audit team on February 25, 2022, December 20, 2022, and February 21, 2023 to communicate and discuss audit matters.

Implementation and Major Resolutions of the Audit Committee Meetings

Date of the meeting	Content of motion	Resolution	Independent directors' objections or expressed reservations	The Company's response to the opinions
2022.2.25	<ol style="list-style-type: none"> 1. The preparation of the Company's 2021 financial statements 2. The proposal for the distribution of earnings for the Company's 2021 fiscal year 3. The proposal of the "Internal Control System Statement" for the Company's 2021 fiscal year 4. The revision of the Company's "Articles of Incorporation" 5. The revision of certain provisions of the Company's "Procedures for Handling the Acquisition or Disposal of Assets" 6. The revision of certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting" 7. The appointment of the certified public accountants for the Company's 2022 financial statements and tax statements and the proposal for their remuneration have been approved by all attending committee members. 	Unanimously approved by all attending directors	None	-
2022.5.6	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 first-quarter financial statements. 2. The revision of certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting" 	Unanimously approved by all attending directors	None	-
2022.8.4	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 second-quarter financial statements. 2. Appointment of the Company's Chief Accountant and Chief Financial Officer 3. Application for comprehensive credit line and foreign exchange & derivative financial instruments trading limit for the Company's banking transactions 	Unanimously approved by all attending directors	None	-
2022.11.3	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 third-quarter financial statements. 2. Revision of certain provisions of the Company's "Insider Trading Prevention Management Procedures" 3. Establishment of the Company's "Inside Material Information Handling Procedures" 4. The revision of certain provisions of the Company's "Rules and Procedures of Board Meeting" 5. Application for comprehensive credit line and foreign exchange & derivative financial instruments trading limit for the Company's banking transactions 	Unanimously approved by all attending directors	None	-
2022.12.20	<ol style="list-style-type: none"> 1. The Company's 2023 Operational Plan and Budget 2. The Company's 2023 Audit Plan 	Unanimously approved by all attending directors	None	-
2023.2.21	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 financial statements 2. The proposal for the distribution of earnings for the Company's 2022 fiscal year 3. The proposal of the "Internal Control System Statement" for the Company's 2022 fiscal year 4. The proposal for the Company to participate in the cash capital increase of SinoPac Financial Holdings Co., Ltd. 5. The appointment of the certified public accountants for the Company's 2023 financial statements and tax statements, and the proposal for their remuneration 	Unanimously approved by all attending directors	None	-

(3) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation item	Implementation status			Reason for the deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																		
	Yes	No	Explanation																			
1. Does the company formulate and disclose its corporate governance practices in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established its corporate governance practices.	Complied																		
2. Shareholding structure and shareholders’ rights																						
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has assigned a spokesperson, acting spokesperson, and provided an email address to handle shareholder suggestions, inquiries, or disputes. The Company has also appointed a permanent lawyer to handle litigation matters.	Complied																		
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company maintains up-to-date information on the shareholding status of directors, executives, and shareholders holding more than 10% of the shares.	Complied																		
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has formulated relevant procedures, such as the "Procedures for Handling the Acquisition or Disposal of Assets", "Operational Procedures for Lending Funds to Others", "Operational Procedures for Endorsement and Guarantee" and "Rules Governing Financial and Business Matters between Affiliated Companies" to comply with and implement risk control mechanisms and firewall management for affiliated companies.	Complied																		
(4) Does the company establish internal rules against insider trading with undisclosed information?	✓		(4) The Company has established the "Insider Trading Prevention Management Procedures" to safeguard the interests of investors and protect the Company's rights.	Complied																		
3. Composition and Responsibilities of the Board of Directors																						
(1) Does the board established a diversity policy, specific management goals and implemented it accordingly?	✓		(1) The Company has formulated a diversification policy in accordance with the Corporate Governance Best Practice Principles. In accordance with Article 20 of the Company’s "Corporate Governance Best Practice Principles", directors are expected to possess the necessary knowledge, skills, and qualities to perform their duties effectively. The current Board of Directors consists of 7 members, including 3 independent directors, who come from diverse professional backgrounds and can provide a range of perspectives in board discussions. The members possess rich experience and expertise in areas such as finance, ESG, business, chemical engineering, chemical materials, energy management, and smart machinery. Additionally, the Company emphasizes gender equality in the composition of the Board of Directors, with a target of having female directors account for 15% or more. Currently, the Company has achieved a female director ratio of 14%. For more details on the implementation status, please refer to the information on board diversification and independence (on page 14 of this report).	Complied																		
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) The Company voluntarily establishes a Sustainability Committee under the Board of Directors, and its composition, responsibilities, and operation are as follows: <table><tr><td>Identity</td><td>Name</td><td>Professional competencies and responsibilities</td></tr><tr><td>Convener (Chairperson)</td><td>SHEU CHI MIN</td><td>Having extensive industry experience, leading the operational activities of the Sustainability Committee</td></tr><tr><td>Member (Independent director)</td><td>YEN, MENG-FENG</td><td>Professor in the Accounting and Finance Department at National Cheng Kung University, specializing in ESG (Environmental, Social, and Governance). Assisting in the operational activities of the Sustainability Committee</td></tr><tr><td>Member (Independent director)</td><td>YANG, ARNOLD CHANG MOU</td><td>A professor in the Materials Science Department at National Tsing Hua University, assisting in the development of green materials</td></tr></table> Implementation status: <table><tr><td>Date of the meeting</td><td>Content of motion</td><td>Resolution and response to opinions</td></tr><tr><td>2023.2.10</td><td>Implementation status of the Sustainability Committee's work</td><td>Approved by all attending members</td></tr></table>	Identity	Name	Professional competencies and responsibilities	Convener (Chairperson)	SHEU CHI MIN	Having extensive industry experience, leading the operational activities of the Sustainability Committee	Member (Independent director)	YEN, MENG-FENG	Professor in the Accounting and Finance Department at National Cheng Kung University, specializing in ESG (Environmental, Social, and Governance). Assisting in the operational activities of the Sustainability Committee	Member (Independent director)	YANG, ARNOLD CHANG MOU	A professor in the Materials Science Department at National Tsing Hua University, assisting in the development of green materials	Date of the meeting	Content of motion	Resolution and response to opinions	2023.2.10	Implementation status of the Sustainability Committee's work	Approved by all attending members	Complied
Identity	Name	Professional competencies and responsibilities																				
Convener (Chairperson)	SHEU CHI MIN	Having extensive industry experience, leading the operational activities of the Sustainability Committee																				
Member (Independent director)	YEN, MENG-FENG	Professor in the Accounting and Finance Department at National Cheng Kung University, specializing in ESG (Environmental, Social, and Governance). Assisting in the operational activities of the Sustainability Committee																				
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Date of the meeting	Content of motion	Resolution and response to opinions																				
2023.2.10	Implementation status of the Sustainability Committee's work	Approved by all attending members																				

Evaluation item	Implementation status			Reason for the deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”																					
	Yes	No	Explanation																						
(3) Does the company establish a standard to measure the performance of the board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for re-election?	✓		(3) The Company has established the board performance evaluation method and its assessment approach. The results of the performance evaluation are reported to the Board of Directors and utilized as a reference for individual director's remuneration and re-appointment considerations.	Complied																					
(4) Does the company regularly evaluate the independence of certified public accountant (CPA)?	✓		(4) The Company conducts an annual self-assessment on the independence of certified public accountant and it was reviewed and approved by the Audit Committee and the Board of Directors on February 21, 2023. Based on the Company's evaluation, both accountant HSU, JUI-HSUAN and accountant WANG, CHAO-CHUN from Deloitte Taiwan as well as the accounting firm itself meet the Company's independence assessment criteria (Note 1) and are capable of serving as the Company's certified public accountant and accounting firm, with a declaration letter issued (Note 2), and their independence and suitability as certified public accountant have been assessed based on the Audit Quality Indicators (AQIs) (Note 3).	Complied																					
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (eg, including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to board meetings and shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>The Company, on August 4, 2022, decided by the Board of Directors to appoint Manager KUO YI LING as the Corporate Governance Supervisor. The purpose of this appointment is to safeguard the rights and interests of shareholders and strengthen the functions of the Board of Directors. Manager KUO YI LING has more than three years of experience in financial management and other related responsibilities in publicly traded companies. The primary duties of the corporate governance personnel include providing the necessary information for the directors to carry out their duties, assisting the directors in complying with laws and regulations, and handling matters related to the Board of Directors and shareholders' meetings in accordance with the law.</p> <p>The continuing education status of the Corporate Governance Supervisor is as follows:</p> <table><tr><th>Date of training</th><th>Organizer</th><th>Course</th><th>Training hours</th></tr><tr><td>2022.9.12</td><td rowspan="2">Accounting Research and Development Foundation</td><td>Understanding ISSB S1 Guidelines: General Provisions on Disclosure of Sustainability-related Financial Information</td><td rowspan="3">18</td></tr><tr><td>2022.9.13</td><td>Reading TCFD Report: Understanding Key Information</td></tr><tr><td>2022.11.3</td><td rowspan="4">Taiwan Corporate Governance Association</td><td>Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives</td><td rowspan="3"></td></tr><tr><td>2022.12.6</td><td>Carbon Capture and Hydrogen Energy: Net-Zero Pathways and Development Directions</td></tr><tr><td>2022.12.12</td><td>Sustainable Energy Practices: Agricultural and Forestry Waste Gasification Combined with Microgrid Systems</td></tr><tr><td>2022.12.20</td><td>2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies</td><td></td></tr></table>	Date of training	Organizer	Course	Training hours	2022.9.12	Accounting Research and Development Foundation	Understanding ISSB S1 Guidelines: General Provisions on Disclosure of Sustainability-related Financial Information	18	2022.9.13	Reading TCFD Report: Understanding Key Information	2022.11.3	Taiwan Corporate Governance Association	Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives		2022.12.6	Carbon Capture and Hydrogen Energy: Net-Zero Pathways and Development Directions	2022.12.12	Sustainable Energy Practices: Agricultural and Forestry Waste Gasification Combined with Microgrid Systems	2022.12.20	2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies		Complied
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2022.12.20		2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies																							
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>(1) External Communication: On the Company's website, there are contact phone numbers, fax numbers, and email addresses available for communication purposes. If there are any questions or concerns, stakeholders can directly provide feedback, and the Company will promptly communicate with them.</p> <p>(2) Internal Communication: Within the Company, regular labor-management meetings are held with employees. There is also an open channel for employees to raise questions or express opinions. All suggestions received are reviewed and responded to by dedicated personnel. Furthermore, the suggestions and their handling status are made public.</p>	Complied																					
6. Does the Company appointed a professional shareholder services agent to deal with shareholder meeting affairs?	✓		The shareholder meeting affairs are handled by the Shareholder Services Department of SinoPac Securities Corporation.	Complied																					
7. Information Disclosure																									
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company discloses financial and corporate governance information on the Company’s website.	Complied																					
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing	✓		(2) The Company has dedicated personnel responsible for information collection and disclosure, and we disclose information in accordance	Complied																					

Evaluation item	Implementation status			Reason for the deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”																																																				
	Yes	No	Explanation																																																					
<p>designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>	✓		<p>with regulations on the Market Observation Post System. We also have a spokesperson and an acting spokesperson who provide external statements on public information.</p> <p>(3) Within two months after the end of the fiscal year, the Company announces and files the annual financial report. We also proactively announce and file the first, second, and third quarter financial reports, as well as the operational performance for each month, within the prescribed deadlines.</p>	Complied																																																				
<p>8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (including, but not limited to, employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	✓		<p>(1) Employee Benefits: The Company treats employees with integrity and establishes an Employee Welfare Committee to take care of employee rights and benefits in accordance with the law. We also provide mandatory labor and health insurance coverage for employees and allocate retirement reserves as required.</p> <p>(2) Employee Care: Regular labor-management meetings are held to allow employees to express their opinions and create a positive sense of participation and smooth two-way communication channels.</p> <p>(3) Investor Relations: We implement a spokesperson system and provide contact phone numbers and email addresses on our website to maintain good relationships with investors.</p> <p>(4) Supplier Relationships: We select qualified suppliers to reduce inventory while ensuring the provision of reliable products for production, meeting customer expectations and demands.</p> <p>(5) Rights of Stakeholders: The Company's website provides contact phone numbers and email addresses, disclosing contact information and providing communication channels for shareholders and stakeholders. We assist in addressing related issues or suggestions, and if there are legal matters involved, we engage legal professionals to handle them, in order to safeguard the rights of stakeholders.</p> <p>(6) Continuing education of the board members:</p> <p>To strengthen the functions of the board, the Company periodically informs directors and encourages their participation in professional knowledge enhancement courses organized by relevant institutions. The details of the training are as follows:</p> <table border="1"> <thead> <tr> <th>Name</th><th>Date of training</th><th>Organizer</th><th>Course</th><th>Training hours</th></tr> </thead> <tbody> <tr> <td rowspan="2">SHEU CHIA-MIN</td><td>2022.11.3</td><td rowspan="2">Taiwan Corporate Governance Association</td><td>Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives</td><td rowspan="2">12</td></tr> <tr> <td>2022.12.20</td><td>2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies</td></tr> <tr> <td rowspan="2">JEAN LIU</td><td>2022.8.23</td><td rowspan="2">Taiwan Corporate Governance Association</td><td>Analysis and Decision-making Application of Corporate Financial Information</td><td rowspan="2">12</td></tr> <tr> <td>2022.8.30</td><td>Evaluation and Execution of Investment Mergers and Acquisitions from a Legal Perspective</td></tr> <tr> <td rowspan="5">KIRK HWANG</td><td>2022.2.10</td><td rowspan="2">Taiwan Institute for Sustainable Energy</td><td>The 27th CEO Lecture and Special Seminar</td><td rowspan="5">13</td></tr> <tr> <td>2022.4.28</td><td>The 28th TCCS Board of Directors and CEO Lecture</td></tr> <tr> <td>2022.11.3</td><td rowspan="3">Taiwan Corporate Governance Association</td><td>Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives</td></tr> <tr> <td>2022.12.6</td><td>Carbon Capture and Hydrogen Energy: Net-Zero Pathways and Development Directions</td></tr> <tr> <td>2022.12.12</td><td>Sustainable Energy Practices: Agricultural and Forestry Waste Gasification Combined with Microgrid Systems</td></tr> <tr> <td rowspan="2">HO YU-HUEI</td><td>2022.11.3</td><td rowspan="2">Taiwan Corporate Governance Association</td><td>Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives</td><td rowspan="2">12</td></tr> <tr> <td>2022.12.20</td><td>2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies</td></tr> <tr> <td rowspan="4">YEN, MENG-FENG</td><td>2022.8.30</td><td rowspan="2">Accounting Research and Development Foundation</td><td>Understanding ISSB S2 Guidelines: Disclosure of Climate-related Information</td><td rowspan="4">12</td></tr> <tr> <td>2022.8.31</td><td>Preparation of TCFD Report: Key Reference Points</td></tr> <tr> <td>2022.11.10</td><td rowspan="2">Greater China Financial and Economic Development Association</td><td>An Accessible View of Global Tax Reform (BEPS 2.0)</td></tr> <tr> <td>2022.11.14</td><td>The Illegality and Case Analysis of Insider Trading</td></tr> </tbody> </table>	Name	Date of training	Organizer	Course	Training hours	SHEU CHIA-MIN	2022.11.3	Taiwan Corporate Governance Association	Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives	12	2022.12.20	2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies	JEAN LIU	2022.8.23	Taiwan Corporate Governance Association	Analysis and Decision-making Application of Corporate Financial Information	12	2022.8.30	Evaluation and Execution of Investment Mergers and Acquisitions from a Legal Perspective	KIRK HWANG	2022.2.10	Taiwan Institute for Sustainable Energy	The 27th CEO Lecture and Special Seminar	13	2022.4.28	The 28th TCCS Board of Directors and CEO Lecture	2022.11.3	Taiwan Corporate Governance Association	Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives	2022.12.6	Carbon Capture and Hydrogen Energy: Net-Zero Pathways and Development Directions	2022.12.12	Sustainable Energy Practices: Agricultural and Forestry Waste Gasification Combined with Microgrid Systems	HO YU-HUEI	2022.11.3	Taiwan Corporate Governance Association	Strategies and Countermeasures for Hostile Takeovers and Responsibilities of Company Executives	12	2022.12.20	2030/2050 Net-Zero Emissions: Sustainability Challenges and Opportunities for Global Companies	YEN, MENG-FENG	2022.8.30	Accounting Research and Development Foundation	Understanding ISSB S2 Guidelines: Disclosure of Climate-related Information	12	2022.8.31	Preparation of TCFD Report: Key Reference Points	2022.11.10	Greater China Financial and Economic Development Association	An Accessible View of Global Tax Reform (BEPS 2.0)	2022.11.14	The Illegality and Case Analysis of Insider Trading	Complied
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<p>(7) Implementation of Risk Management Policy and Risk Assessment Standards: The Company focuses on the management and development of our core business and does not engage in high-risk or high-leverage investment activities. We do not provide financial loans or endorsements, and we have established internal control systems for relevant operations.</p> <p>(8) Implementation of Customer Policy: Through customer service, we strive to understand customer needs and aim to provide high-quality products and professional services that meet or exceed customer expectations. We strive to become long-term partners in our customers' businesses and work together to achieve mutually beneficial results.</p> <p>(9) The Company has purchased director's liability insurance, and it was reported at the board meeting on February 21, 2023.</p>																									
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures (only for the company that has been selected for the evaluation): Not applicable.																									

Shin Foong Specialty and Applied Materials Co., Ltd.
Certified Public Accountant Independence Assessment Form

Review Subjects: CPA HSU, JUI-HSUAN, CPA WANG, CHAO-CHUN

Review Date: February 21, 2023

	Evaluation item	Evaluation result	Comply with independence requirement
1	Have the CPAs or members of the auditing team served as directors, executives, or held positions with significant influence over audit matters in the Company currently or in the past two years?	No	Yes
2	Have the CPAs or members of the auditing team engaged in promoting or brokering the Company's issued stocks?	No	Yes
3	Have the CPAs or members of the auditing team, aside from the business permitted by laws and regulations, represented the Company in legal cases or other disputes with third parties?	No	Yes
4	Do the CPAs or members of the auditing team have any family relationships with directors, executives, or individuals in positions of significant influence over audit matters in the Company?	No	Yes
5	Do the CPAs have a direct or significant indirect financial interest in the Company?	No	Yes
6	Have the CPAs engaged in any lending or borrowing of funds with the Company?	No	Yes
7	Do the CPAs have close business relationships or potential employment relationships with the Company?	No	Yes
8	Have the CPAs been employed as a regular employee receiving fixed remuneration by the principal or person under investigation?	No	Yes

Deloitte.

勤業眾信

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112.02.04 勤高 11200096 號

受文者：申豐特用應材股份有限公司

主 旨：本所接受委託查核 貴公司民國 112 年度財務報表，依照中華民國會計師公會全國聯合會「職業道德規範公報第十號正直、公正客觀及獨立性」之規定，審計小組成員聲明已遵守下列規範，未有違反獨立性情事。

說 明：

- 一、 審計小組成員及其配偶與受扶養親屬未有下列情事：
 - (一) 持有 貴公司直接或間接重大財務利益。
 - (二) 與 貴公司或其董監事、經理人間，有影響獨立性之商業關係。
- 二、 在審計期間，審計小組成員及其配偶與受扶養親屬未擔任 貴公司之董監事、經理人或對審計工作有直接且重大影響之職務。
- 三、 審計小組成員與 貴公司之董監事或經理人未有配偶、直系血親、直系姻親或二親等內旁系血親之關係。
- 四、 審計小組成員未收受 貴公司或其董監事、經理人或主要股東價值重大之饋贈或禮物（其價值未超越一般社交禮儀標準）。
- 五、 審計小組成員已執行必要之獨立性／利益衝突程序，未發現有違反獨立性情事或未解決之利益衝突。

勤業眾信聯合會計師事務所

會計師 許 瑞 軒

會計師 王 兆 群



審計品質指標資訊說明：	
一、審計品質指標係依據本所會計年度(2021年6月1日至2022年5月31日)方式提供期間資訊，並依據主管機關發布範本要求附列過去會計年度資訊供參，說明如下，其餘年度適用會計期間請類推：	
110年：為本所 FY22 會計年度(自 2021 年 6 月 1 日至 2022 年 5 月 31 日)	
109年：為本所 FY21 會計年度(自 2020 年 6 月 1 日至 2021 年 5 月 31 日)	
二、除另有說明外，計算基準以簽證之「上市櫃公司」為主。	
三、審計品質應由量及非量指標共同評估，本報告揭露之量指標係展現本所及查核團隊對於 貴公司審計案件之承諾與付出，非量指標事項尚需簽證會計師持續與 貴公司審計委員會溝通，協助審計委員會進行相關評估。	

構面一、專業性

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	<p>說明簽證會計師(含主查、副查)、EQCR 會計師學經歷(如過往簽證案件)及查核團隊規模介紹：</p> <p>劉裕祥會計師-主查會計師 淡江大學會計系學士畢業，負責多家上市上櫃公司之財務簽證，並具有豐富之上市上櫃輔導、協助重組及併購海外企業之經驗。主要簽證案件涵蓋鋼鐵業(中鋼鋼鐵公司、中鴻鋼鐵公司及中國鋼鐵結構公司等)、電子業(易華電子公司及新盛力科技公司等)、設備業(康捷科技公司及天正國際精密機械公司等)、建設業(永信建設開發公司及華友聯開發公司等)及橡膠工業(申豐特用膠材公司)等產業暨中宇環保工程公司及望準科技公司等知名企業。</p> <p>郭麗園會計師-副查會計師 國立中山大學企業管理學系、管理學院高階經營管理碩士畢業，負責多家上市上櫃公司之財務簽證，並具有豐富之上市上櫃輔導、協助重組及併購海外企業之經驗。主要簽證案件涵蓋鋼鐵業(中鋼鋼鐵公司、中鴻鋼鐵公司及盛餘公司等)、電子業(長華科技公司、華東科技公司及棉梓電子公司等)、橡膠工業(申豐特用膠材公司)及化工業(長興材料公司、中國破素化學公司及永記油漆公司等)等產業暨中宇環保工程公司及望準科技公司等知名企業。</p> <p>許瑞軒會計師-112 年度起主查會計師 中原大學會計系、國立中山大學管理學院高階經營管理碩士畢業，負責多家上市上櫃公司之財務簽證，並具有豐富之上市上櫃輔導、協助海外籌資及內部控制專審之經驗。主要簽證案件涵蓋鋼鐵業(中鋼鋼鐵公司、中鴻鋼鐵公司及盛餘公司等)、為本所礦業與金屬產業負責人、電子業(華東科技公司及廣川企業公司等)、航太業(長亨精密公司)、設備業(康捷公司)及化工業(中國破素化學公司及永記油漆公司等)等產業暨高雄捷運公司及中鋼運通公司等知名企業。</p> <p>王兆群會計師-112 年度起副查會計師 國立台灣大學會計學碩士畢業，負責多家上市上櫃公司之財務簽證，並具有豐富之上市上櫃輔導、協助程序專審及內部控制專審之經驗。主要簽證案件涵蓋化工業(中國破素化學公司及長興材料公司等)、電子業(易華電子公司及新盛力科技公司)及電子支付業(一卡通公司)等產業暨中聯資源公司、海光企業公司、高雄捷運公司、邁達康網路事業公司及富田電機公司等知名企業。</p>

指標	內容												
	<p>查核團隊規模</p> <p>申豐特用膠材公司之案件查核團隊除主查、副查會計師外，另配置有主辦案件經理 1 名及 3~4 名查核人員，案件查核團隊成員超過半數以上為具有審計查核經驗之專業人員，查核團隊成員皆具有相關產業之知識並瞭解相關法令規章，另外依據案件性質同時有採用電腦審計專家共同參與案件查核。</p>												
訓練時數 (1-2)	<p>○ 事務所層級</p> <table><tr><th>項目</th><th>110 年</th><th>同業平均</th></tr><tr><td>簽證會計師訓練時數</td><td>101.1 小時</td><td>93.4 小時</td></tr><tr><td>理級以上查核人員(不含會計師)訓練時數</td><td>100.1 小時</td><td>89.1 小時</td></tr></table>	項目	110 年	同業平均	簽證會計師訓練時數	101.1 小時	93.4 小時	理級以上查核人員(不含會計師)訓練時數	100.1 小時	89.1 小時			
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構面二、品質控管

指標	內容																																																																																																																																							
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	自案件承接及續任之評估起，透過定期檢視案件之財務與非財務性質資訊及訪談會計師，監控事務所承接案件之情況。對於有以下情形之案件，列入事務所監督名單，執行監督程序： <ul style="list-style-type: none"> ● 公司所屬事業較為特殊/複雜。 ● 公司有重大事項需要關注。 ● 公司或管理階層有重大負面報導。 ● 其他：由主辦會計師、審計服務部門風險管理負責人、審計服務部門營運長或信譽及風險管理負責人評估認為應列入之監督之案件。 <p>依據案件納入監督之事項，採行下述一項或多項監督程序：</p> <ul style="list-style-type: none"> ● 定期追蹤監督事項之情況。 ● 就監督事項規劃並執行適當之因應程序。 ● 複核公司財務報表對該事項之表達及揭露是否適當(若有)。 ● 視情況要求主辦會計師召開會議，向審計服務部門風險管理負責人、審計服務部門營運長及審計服務部門品質管理負責人，說明監督事項之情況及因應程序之執行結論。 								
	二、查核意見出前之案件檢查 - In-flight monitoring 為更快速因應審計問題，及時發現並解決品質問題，針對進行中的案件執行相關內部檢查： <ul style="list-style-type: none"> ● 針對特定主題進行 Health Checks 檢查，用以評估進行中的案件的潛在品質問題。 ● 對進行中案件執行 In-flight Engagement Review，以在其審計過程中確認並改正品質問題。 ● 對 In-flight monitoring 的結果進行整體評估，以確定是否需額外溝通及提供審計團隊相關審計方法或更新。 								
	三、查核意見出後之案件檢查 - Practice Review of Engagement 個案內部評鑑 (Practice Review of Engagement) 主要執行內容如下： <ul style="list-style-type: none"> ● 以風險基礎挑選案件，並考慮主要行業。 ● 檢查發現事項及案件整體之評等集中由評審委員會 (moderation panel) 執行，以維持衡量之一致性。 ● 聯盟指派之外部會計師 (External partners and deputies) 負責監督內部評鑑執行，以推動全球一致性。 ● 自事務所內部及聯盟所辨認具有適當經驗和產業知識的案件檢查人員，包括建立固定檢查團隊。 								

構面三、獨立性

指標	內容						
非審計服務 (3-1)	<div>○ 個案層級</div> <table><thead><tr><th>項目</th><th>110 年</th><th>109 年</th></tr></thead><tbody><tr><td>審計個案非審計服務費公費占比</td><td>16.3%</td><td>29.2%</td></tr></tbody></table> <p>註：審計公費係指簽證會計師查核或核閱財務報告收取之費用，其餘事務所及關聯事業收取之費用均屬非審計服務公費。</p> <p>說明事務所關聯事業範圍：</p> <div><div>勤業眾信財務諮詢顧問(股)公司</div><div>勤業眾信財經顧問(股)公司</div><div>德勤財務顧問(股)公司</div><div>勤業眾信風險管理諮詢(股)公司</div><div>德勤不動產顧問(股)公司</div><div>德勤商務法律事務所</div><div>勤業眾信管理顧問(股)公司</div></div>	項目	110 年	109 年	審計個案非審計服務費公費占比	16.3%	29.2%
項目	110 年	109 年					
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客戶熟悉度 (3-2)	<div>○ 個案層級</div> <table><thead><tr><th>項目</th><th>110 年</th></tr></thead><tbody><tr><td>審計個案於事務所所簽證年度財務報告之累計年數</td><td>6 年</td></tr></tbody></table>	項目	110 年	審計個案於事務所所簽證年度財務報告之累計年數	6 年		
項目	110 年						
審計個案於事務所所簽證年度財務報告之累計年數	6 年						

構面四、監督

指標	內容				
外部檢查缺失 及處分 (4-1)	○ 事務所層級				
	金管會事務所所檢查	最近三次			
		109 年	108 年	106 年	
		品質管制缺失數	4	1	4
		同業區間	0~4	1~2	0~4
審計個案平均缺失數	0.3 (3/9)	0.5 (4/8)	2.5 (5/2)		
同業區間	0~1	0~2	0~2.5		
美國 PCAOB 事務所所檢查					
	最近三次				
	110 年	100 年	97 年		
	0 (0/3)	0 (0/3)	0 (0/4)		
	審計個案平均缺失數				
同業區間	0~1.3	0~0.7	0~0.7		
懲戒及處分案件					
	110 年	109 年	108 年	107 年	106 年
會計師懲戒案件數及 經依證交法第 37 條 處分之案件數	1	2	3	0	1
○ 個案層級					
金管會事務所所檢查審計個案缺失數	最近三次				
	109 年	108 年	106 年		
	0 (0/0)	0 (0/0)	0 (0/0)		
	主審會計師審計個案平均缺失數				
副審會計師審計個案平均缺失數	0 (0/0)	0 (0/0)	0 (0/0)		

指標	內容			
主管機關發函改善 (4-2)	○ 事務所層級			
	主管機關缺失改善函文比	110 年	109 年	108 年
	事務所	0.3%	0.5%	0.5%
	同業區間	0%~0.59%	0.25%~1.20%	0.30%~1.20%
	○ 個案層級			
	主管機關缺失改善函文比	110 年	109 年	108 年
	主審會計師	0 (0/14)	0 (0/17)	0 (0/21)
	副審會計師	0 (0/16)	0 (0/18)	0 (0/18)

構面五、創新能力

指標	內容
創新規畫或倡議(5-1)	<p>○ 事務所層級 Firm Level</p> <p>說明事務所近 3 年採行或規劃與提升審計品質相關之倡議或計畫(包含採行措施、期程、預計投入金錢、時間等資源及預期產生效益等)：</p> <p>一、導入審計創新工具</p> <p>運用數據分析、資料檢索及 RPA 機器人流程自動化等技術之全方位數位分析平台，找出特定風險及異常值，使審計工作更專注於特定風險及異常之查證，具體措施說明如下：</p> <ul style="list-style-type: none"> ● 推動創新轉型：舉辦創新競賽活動鼓勵同仁發揮 Thinking Outside the Box 的精神，跳脫既有的框架，尋求並發展新的運作模式，發揮想像力、創意及創新，來設計出有效提升服務品質、增加工作流程效率及提高服務價值之改善流程或創新服務。成立專責的數位轉型團隊將同仁發想結果具體落實，數位轉型非為單向推動一蹴可幾，選派各單位代表作為與同仁雙向溝通的橋樑並落實轉型的核心價值，透過與數位轉型團隊定期專案交流的分享及彙整同仁的實際反饋，提供作業流程上的建議及想法，由數位轉型團隊整合事務所的資源，確保推動數位轉型的方向為同仁所引領期盼，透過全方位的推動加速轉型之步調，促使團隊持續成長，帶動內部文化的改變。 ● 應用數位科技：審計部門下設有 Audit Innovation Team (審計創新團隊)，專責協助審計案件執行數據分析 (Audit Analytics)，並強化同仁數據分析能力，應用機器人流程自動化 (RPA)、大數據分析、人工智慧 (AI) 等技術輔助風險評估與查核作業之應用，使用數位工具輔助分析處理巨量資料，藉由專業服務結合數位科技的運用，提升查核品質辨認可能存在之風險，推展數位科技以顛覆傳統審計樣貌。 <p>二、擴充審計支援中心</p> <p>透過重新檢視同仁的工作模式，將可以集中處理的例行性審計行政事務，例如：資料整理、函證等交由專責單位處理，讓審計同仁有更充足的時間，專注在資訊判讀及評估等更需專業判斷之審計工作上。透過標準化、集中化作業流程，發揮經濟規模效益。同時藉由完善的分工機制，提升整體查核效果與效率。</p> <p>三、導入雲端審計平台</p> <p>因應新科技所帶來的挑戰，致力於發展數位審計，而數位審計的發展主要奠基於雲端運算技術，透過採用雲端架構，建置雲端審計平台，使全球可採行一致化之審計方法論以確保審計品質，可更有效率地執行跨國或集團審計，可即時更新全球法令規範，有助於落實全球標準化管理，採用雲端效益如下：</p>

指標	內容
	<ul style="list-style-type: none"> ● 透過雲端服務，讓公司端能夠在安全的環境下進行資料傳輸 (Deloitte Connect)，公司跟查核團隊可以即時更新、使用相同的數據跟資訊，利於掌握最新動態，提升審計工作狀態的透明度。 ● 透過數據導向的審計流程整合，數據分析以及自動化為公司提供高品質的審計以及深入的見解。 ● 雲端服務讓事務所資訊技術能夠不斷改進和持續創新，新推出的方法、更新的指引，在審計過程中查核團隊都可以即時取得這些最新的資訊。

(4) If the Company has established a Remuneration Committee, its composition, responsibilities and operating status shall be disclosed:

1. Remuneration Committee member information

April, 17, 2023

Identity	Conditions Name	Professional qualifications and experience	Independent status	Number of other public companies in which the individual is concurrently serving as the Remuneration Committee member
Convener (Independent director)	YEN, MENG-FENG	Please refer to the annual report for disclosure of director's professional qualifications and independence information.	<p>As an independent director, the following independence criteria are met, including but not limited to:</p> <ol style="list-style-type: none"> 1. Neither the independent director nor his/her spouse, immediate family members within two degrees of kinship have served as directors, supervisors, or employees of the Company or its affiliated companies. 2. Neither the independent director nor his/her spouse, immediate family members within two degrees of kinship (or under others' names) hold any shares or significant ownership in the Company. 3. Has not served as a director, supervisor, or employee of companies with specific relationships to the Company (referring to the provisions of Article 6, Paragraph 1, Items 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). 4. Has not received any compensation or remuneration from providing business, legal, financial, accounting, or other services to the Company or its affiliated companies in the past two years. 	—
Member (Independent director)	YANG, ARNOLD CHANG MOU	Please refer to the annual report for disclosure of director's professional qualifications and independence information.		—
Member (Independent director)	CHENG, FAN-TIEN	Please refer to the annual report for disclosure of director's professional qualifications and independence information.		—

2. Operations of the Remuneration Committee

The Remuneration Committee of the Company consists of three members. The current term for the committee is from June 29, 2022, to June 28, 2025. In the recent year (2022) and up until the date of publication of the annual report, a total of five meetings have been held. The qualifications and attendance of the committee members are as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remark
Convener	CHU, PO YOUNG	2	0	100	Former: Resigned on June 28, 2022
Member	YEN, HSI-CHENG	2	0	100	Former: Resigned on June 28, 2022
Convener	YEN, MENG-FENG	3	0	100	Newly elected: Assumed office on June 29, 2022
Member	YANG, ARNOLD CHANG MOU	5	0	100	Re-elected
Member	CHENG, FAN-TIEN	3	0	100	Newly elected: Assumed office on June 29, 2022
<p>Other matters to be recorded:</p> <p>1. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, term, content of the motion, resolution by the Board of Directors, and the company's response to the Remuneration Committee's opinion (If the Board of Directors approves a compensation package that is superior to the recommendation of the Remuneration Committee, the differences and reasons for such variations should be disclosed.): None.</p> <p>2. If there are members of the Remuneration Committee who have expressed opposition or reservation regarding the resolutions, and such opinions are recorded or in written form, the date of the meeting, term, content of the motion, all members' opinions and the response to members' opinion should be specified: None</p>					

Implementation and Major Resolutions of the Remuneration Committee Meetings

Date of the meeting	Content of motion	Resolution	Response to members' opinion
2022.1.25	<p>1. Performance evaluation of the Company's executives and the amount of year-end bonuses and employee remuneration for 2021</p> <p>2. Operational performance and year-end bonuses of the Chairperson/President of the Company for 2021</p>	After consulting with the attending committee members, the Chairperson received unanimous approval to pass the resolution.	-
2022.2.24	Distribution of the Company's employee and director remuneration for 2021	Due to the potential conflicts of interest regarding the director remuneration proposal, during the discussion and voting, the interested parties excused themselves from the meeting. The resolution was subsequently passed without any objections from the remaining members.	-
2023.1.12	1. Performance evaluation of the Company's executives and the amount of year-end bonuses and employee remuneration for 2022	After consulting with the attending committee members, the Chairperson received unanimous approval to pass the resolution.	-

Date of the meeting	Content of motion	Resolution	Response to members' opinion
	2. Operational performance and year-end bonuses of the Chairperson/President of the Company for 2022		
2023.2.21	Proposal for the Company's employee and director remuneration for 2022	Due to the potential conflicts of interest regarding the director remuneration proposal, during the discussion and voting, the interested parties excused themselves from the meeting. The resolution was subsequently passed without any objections from the remaining members.	-
	Proposal for the Company's independent director remuneration for 2022	Due to the potential conflicts of interest regarding the independent director remuneration proposal, during the discussion and voting, the interested parties excused themselves from the meeting. The resolution was subsequently passed without any objections from the remaining members.	
2023.4.17	Proposal for the remuneration of the Company's Acting President	After consulting with the attending committee members, the Chairperson received unanimous approval to pass the resolution.	-

(5) Promoting the execution of sustainable development and the differences in implementation between TWSE/TPEX Listed Companies' sustainable development guidelines, as well as the reasons behind them.

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
1. Has the company established a governance framework for promoting sustainable development and appointed a dedicated (or concurrent) position responsible for driving sustainable development, authorized by the board of directors and supervised by the board of directors?	✓		<p>The company established the "Sustainable Development Committee" in December 2022, which serves as the highest-level decision-making center for sustainable development. Chairperson Sheu Chi Min acts as the convener and Chairperson of the committee, while independent directors Yen, Meng-Feng, who specializes in the ESG field, and Yang Arnold Chang Mou, who specializes in advanced materials, serve as committee members. The committee is supported by various functional task forces, jointly led by responsible individuals from different departments, and reports on the execution status to the board of directors at least once a year. As of the publication cutoff date in 2022, one meeting was held, and the agenda included the execution status of the Sustainable Development Committee's work.</p> <p>The board of directors receives an ESG report from the management team at least once a year, discusses and proposes strategies, assesses their feasibility, reviews the execution status of the strategies, and urges adjustments when necessary. The board of directors supervises and identifies sustainable issues of concern, formulates action plans in response, revises goals and policies related to sustainability, monitors the implementation of sustainable business matters, and evaluates the execution status.</p> <p>The "Sustainable Development Committee" serves as a cross-departmental communication platform for integration and coordination. It identifies sustainable issues relevant to the company's operations and stakeholders' concerns, formulates corresponding strategies and work policies, develops plans and execution programs related to sustainability for each</p>	In accordance.

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
			<p>organization, tracks the effectiveness of implementation, and ensures the full integration of sustainable development strategies into the company's daily operations.</p> <p>The responsibilities of the Sustainable Development Committee are as follows:</p> <p>A. Formulate, promote, and strengthen the company's sustainable development policies, including corporate governance, integrity in business practices, and the establishment of goals, strategies, and implementation plans for environmental and social aspects.</p> <p>B. Review and manage the execution status and effectiveness of the company's sustainable development initiatives, and regularly report to the board of directors.</p> <p>C. Enhance communication with stakeholders and address their concerns, including shareholders, customers, suppliers, employees, government, non-profit organizations, communities, and media.</p> <p>D. Supervise other sustainable development-related tasks as decided by the board of directors.</p>	
2. Does the company conduct risk assessments related to environmental, social, and corporate governance (ESG) issues that are relevant to its operations, in accordance with materiality principles, and establish relevant risk management policies or strategies?	✓		The company conducts risk assessments related to significant principles and important issues. Based on the assessment results, it formulates relevant risk management policies. Please refer to our company's sustainability report for more details.	In accordance.
3. Environmental Issues (1) Does the company establish appropriate environmental management systems based on its industry characteristics?	✓		(1) The company has obtained ISO 14001 Environmental Management System certification. The system is regularly verified by external audit organizations such as BVC and the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs. Internal and external audits	In accordance

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies														
	Yes	No	Abstract Description															
(2) Is the company committed to improving energy efficiency and utilizing renewable materials with low environmental impact?	✓		<p>are conducted regularly to maintain the effectiveness of the system and continuously improve environmental protection performance. In addition to the ISO 14001 Environmental Management System, we also participate in environmental certifications for our products and raw materials. We collaborate with upstream suppliers and downstream consumers to collectively contribute to environmental protection efforts.</p> <p>(2) Energy-saving and carbon reduction management goals:</p> <table><tr><td>Main Material Butadiene Process Tail Gas Recovery Project</td></tr><tr><td>Reduced 896.32 metric tons of CO₂e emissions</td></tr><tr><td>By utilizing low-temperature deep cooling technology, the recovery rate of escaping butadiene during the condensation process has been increased from 25% to 80%. The project has successfully reduced carbon emissions by 55% from the original level</td></tr></table> <table><tr><td>Replacement of Chiller Unit</td></tr><tr><td>Annual electricity saving of 696,612 kWh: reduced 349.70 metric tons of CO₂e emissions</td></tr><tr><td>Replaced one process chiller unit</td></tr><tr><td>Energy-saving rate: 43.27%</td></tr></table> <table><tr><td>Improving Power Factor</td></tr><tr><td>Annual electricity saving of 310,087 kWh: reduced 155.66 metric tons of CO₂e emissions</td></tr><tr><td>Maintenance of capacitors to improve power factor, reaching Taipower's rewarding standards of 80-95%</td></tr></table> <table><tr><td>Upgrading NBR Product Compressors</td></tr><tr><td>Annual electricity saving of 198,832 kWh: reduced 99.81 metric tons of CO₂e emissions</td></tr><tr><td>Air compressor D adopted high-efficiency inverter compressor instead of a traditional compressor</td></tr><tr><td>Energy-saving rate: 51.4</td></tr></table>	Main Material Butadiene Process Tail Gas Recovery Project	Reduced 896.32 metric tons of CO ₂ e emissions	By utilizing low-temperature deep cooling technology, the recovery rate of escaping butadiene during the condensation process has been increased from 25% to 80%. The project has successfully reduced carbon emissions by 55% from the original level	Replacement of Chiller Unit	Annual electricity saving of 696,612 kWh: reduced 349.70 metric tons of CO ₂ e emissions	Replaced one process chiller unit	Energy-saving rate: 43.27%	Improving Power Factor	Annual electricity saving of 310,087 kWh: reduced 155.66 metric tons of CO ₂ e emissions	Maintenance of capacitors to improve power factor, reaching Taipower's rewarding standards of 80-95%	Upgrading NBR Product Compressors	Annual electricity saving of 198,832 kWh: reduced 99.81 metric tons of CO ₂ e emissions	Air compressor D adopted high-efficiency inverter compressor instead of a traditional compressor	Energy-saving rate: 51.4	In accordance
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(3) Does the company assess the potential risks and opportunities of climate change on its current and future business operations and take measures to address climate-related issues?	✓		<p>(3) In response to the impact of climate change on the company's operations and to provide specific disclosure of climate change information, the company conducts regular reviews of the effects of climate change on its operations. It has also begun to identify risks associated</p>	In accordance.														

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies																							
	Yes	No	Abstract Description																								
			<p>with climate change, including direct or indirect impacts from extreme weather events, regulatory, technological, or market-driven transitions, as well as risks and opportunities related to socio-cultural and societal aspects affecting the company's operations. The company strengthens its climate change governance to mitigate risks and seize business opportunities. To effectively manage the impacts of climate change-related risks and opportunities, we have set goals for energy conservation and carbon reduction. We collaborate with suppliers to adhere to relevant standards in environmental protection, safety, and health, collectively striving to enhance corporate social responsibility.</p> <table><tr><th>Risk Category</th><th>Risk Dimensions</th><th>Risk</th><th>Financial Impact</th></tr><tr><td rowspan="2">Transition Risk</td><td>Regulatory Policies</td><td>Increased sustainability-related laws and regulations</td><td>Increased capital expenditure to comply with green environmental laws and regulations</td></tr><tr><td>Technology</td><td>Existing products and services being replaced by low-carbon alternatives</td><td>While the product is already a green, environmentally-friendly, water-soluble and non-toxic product, it may face a decrease in product revenue and market share if it is replaced by even lower carbon products</td></tr><tr><td rowspan="3">Physical Risk</td><td rowspan="2">Extreme Risk</td><td>•Increased frequency and severity of typhoons</td><td rowspan="2">Extreme physical risks may result in equipment damage, accelerated asset depreciation, and increased equipment maintenance costs</td></tr><tr><td>•Increased frequency and severity of heavy rainfall</td></tr><tr><td>Long-term Risk</td><td>Changes in rainfall patterns and drastic weather variations</td><td>Changes in rainfall patterns leading to prolonged drought periods can impact water stability</td></tr><tr><td></td><td></td><td>Rising average temperatures</td><td>Rising average temperatures will increase related electricity costs.</td></tr></table>	Risk Category	Risk Dimensions	Risk	Financial Impact	Transition Risk	Regulatory Policies	Increased sustainability-related laws and regulations	Increased capital expenditure to comply with green environmental laws and regulations	Technology	Existing products and services being replaced by low-carbon alternatives	While the product is already a green, environmentally-friendly, water-soluble and non-toxic product, it may face a decrease in product revenue and market share if it is replaced by even lower carbon products	Physical Risk	Extreme Risk	•Increased frequency and severity of typhoons	Extreme physical risks may result in equipment damage, accelerated asset depreciation, and increased equipment maintenance costs	•Increased frequency and severity of heavy rainfall	Long-term Risk	Changes in rainfall patterns and drastic weather variations	Changes in rainfall patterns leading to prolonged drought periods can impact water stability			Rising average temperatures	Rising average temperatures will increase related electricity costs.	
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(4) Has the company tracked its greenhouse gas emissions, water usage, and total waste weight over the past two years, and developed policies for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, or waste management?	✓		<div>(4) The company promotes material recycling, waste reduction, energy conservation, and water conservation. It regularly reviews improvement plans to ensure their implementation.</div> <div><ul style="list-style-type: none">Greenhouse gas emissions over the past two years (unit: metric tons of CO2e)</div> <div><table><tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Total</th></tr><tr><td>2021</td><td>12,367</td><td>19,998</td><td>32,365</td></tr><tr><td>2020</td><td>12,500</td><td>25,800</td><td>38,300</td></tr></table></div> <div><ul style="list-style-type: none">Water usage over the past two years (unit: million metric tons)</div> <div><table><tr><th>Year</th><th>Total Water Consumption</th></tr><tr><td>2021</td><td>286.83</td></tr><tr><td>2020</td><td>327.88</td></tr></table></div> <div><ul style="list-style-type: none">Waste generation over the past two years (unit: metric tons)</div> <div><table><tr><th>Year</th><th>Hazardous Waste</th><th>Non-hazardous Waste</th><th>Total</th></tr><tr><td>2021</td><td>5</td><td>1,133</td><td>1,138</td></tr><tr><td>2020</td><td>1</td><td>892</td><td>893</td></tr></table></div>	Year	Scope 1	Scope 2	Total	2021	12,367	19,998	32,365	2020	12,500	25,800	38,300	Year	Total Water Consumption	2021	286.83	2020	327.88	Year	Hazardous Waste	Non-hazardous Waste	Total	2021	5	1,133	1,138	2020	1	892	893	In accordance
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4. Social Issues (1) Does the company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		<div>(1) 1. Human Rights Policy: The company's human rights policy follows internationally recognized human rights standards such as the "International Bill of Human Rights," "Core Labor Standards of International Labour Standards" and the "United Nations Global Compact Ten Principles." It also implements the "RBA Responsible Business Alliance Code of Conduct" to</div>	In accordance																														

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
			<p>ensure the dignified and respectful treatment of current employees, contract workers, and temporary personnel.</p> <p>2. Human Rights Assessment: The company is committed to ensuring a safe working environment, respecting the dignity of employees, promoting environmental sustainability, and adhering to ethical standards. The company has formulated human rights policies in compliance with relevant labor laws and with reference to international human rights conventions. These policies include prohibiting child labor, preventing racial and gender discrimination, and prohibiting forced labor, among others, in order to safeguard the legitimate rights and interests of employees.</p> <p>3. Approaches to human rights concerns, measures to mitigate human rights risks, and education/training</p> <ul style="list-style-type: none"> • To provide a safe and healthy work environment, a dedicated unit has been established: The company has established a dedicated unit for occupational health and safety, and actively promotes related initiatives. • Promoting safe operations: Strengthening the safety management capabilities of all levels of supervisors, gradually establishing unified safety values and standards among all employees, and fostering a consensus to collectively promote safe operations. • Standardization of operations: Developing standardized operating procedures and conducting job safety analyses for various operations, aiming to fully standardize and ensure the safety of all work processes. 	

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
			<ul style="list-style-type: none"> • Employee health management: Implementing employee health checks in accordance with regulations, with examination items exceeding the requirements of labor health protection rules. • Personnel safety training: All personnel is required to undergo safety training upon recruitment or job transfer. Each department also conducts regular on-the-job safety training and awareness programs to enhance the overall safety awareness of all employees. • Accident reporting and investigation: In the event of a work-related accident, it is mandatory to report it to the relevant authorities within 24 hours and initiate an investigation into the causes and improvement measures. The case will also be communicated to employees to prevent similar incidents from recurring. • Safety review and disaster preparedness drills: In addition to conducting regular disaster preparedness drills and quarterly occupational safety reviews, we also enhance equipment safety inspections and actively improve the work environment and safety protection facilities. • Occupational Safety and Health Management System: • In addition to continuously promoting 6S management and conducting monthly focused audits, our company also implements a mobile management approach through daily inspections and visits. Any improvement issues identified in the workplace are promptly communicated to the responsible units, and immediate actions are taken 	

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
			<p>to address them. Effective risk control measures can reduce the occurrence of accidents and prevent or minimize financial, safety, and health losses to the organization and its personnel. By conducting hazard identification and risk assessment, and implementing appropriate preventive measures and control methods, we strive to keep hazards within acceptable limits. Thanks to effective occupational safety and health management, our company had no significant occupational accidents in 2022.</p> <ul style="list-style-type: none"> • Voluntary Environmental, Safety, and Health (ESH) Self-Improvement Employee Self-Improvement Initiatives: Employees proactively engage in activities to address any deficiencies related to environmental, safety, and health aspects. They focus on self-improvement, implement preventive measures, and ensure the safety of personnel and working environments. • Occupational Safety and Health Education and Training: To prevent occupational accidents and ensure the safety and health of workers, the company conducts regular fire drills and occupational safety education and training every six months. This aims to establish correct safety and health concepts among employees and contractors, strengthen awareness of disaster crises, instill a sense of responsibility and understanding in personnel at all levels, and enhance employees' abilities in emergency response and self-safety management. 	

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation, and other benefits), and appropriately reflect operational performance or results in employee compensation?	✓		<ul style="list-style-type: none"> To eradicate unlawful discrimination and ensure equal job opportunities. To uphold gender equality and personal dignity in the workplace, the company strictly prohibits sexual harassment behaviors. We have established "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace," which are publicly displayed in the workplace. To facilitate harmonious labor-management relations, enhance mutual understanding, promote labor-management cooperation, and improve work efficiency, the company organizes labor-management meetings in accordance with the "Regulation for Implementing Labor-Management Meetings." Regular meetings are held, with a minimum of one meeting every three months, to maintain smooth communication channels between labor and management. This ensures that employees' difficulties, needs, and issues are given due attention and addressed appropriately. <p>(2) The company has established clear and effective reward and disciplinary systems through the "Salary Management Regulations" and "Work Rules." These documents are provided to each employee as guidelines for their daily work behavior. Additionally, based on the company's operational performance and results, an annual bonus is provided. According to the company's bylaws, if the company generates profits, it is required to allocate at least one percent of the profits as employee compensation.</p>	In accordance.

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
(3) Does the company provide a safe and healthy working environment for employees and regularly conduct safety and health education for employees?	✓		<p>(3) Employee work environment and personal safety protection measures and implementation.</p> <ul style="list-style-type: none"> Received the Excellent Promoter Award for Healthy Workplace from the National Health Agency after review and selection, on December 16, 2022. Conducted 1 session on tobacco and alcohol prevention, four cancer screenings, corporate anti-drug initiatives, suicide prevention gatekeeper training, guidelines on a healthy diet for managing three high-risk factors, and discussions on the significance of medical examination results in 2022. Additionally, organized 6 sessions on preventing workplace bullying, 5 sessions on respiratory protection education and training, and 7 sessions on hazard awareness and first aid education. Conducted occupational safety, environmental protection, and hygiene beach cleaning activities in 2022, with a total weight of 351 kilograms of collected debris. Occupational Safety and Health Management System: In addition to continuously promoting 6S management and conducting monthly focused audits, our company also implements a mobile management approach, which includes daily inspections and visits. Any identified improvement areas in the workplace are immediately communicated to the responsible units for prompt action and implementation. Effective risk management helps reduce the occurrence of accidents and prevents financial, safety, and health losses to the organization and its personnel. By conducting hazard identification and risk assessments, and implementing appropriate preventive measures and control methods, we strive to keep hazards within acceptable limits. Thanks to 	In accordance.

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
			<p>effective occupational safety and health controls, our company had no major occupational accidents in 2022.</p> <ul style="list-style-type: none"> • Work Environment Monitoring: In accordance with the "Implementation Measures for Work Environment Monitoring for Labor," a qualified work environment monitoring organization is commissioned to conduct regular monitoring (twice a year) of the work environment. The monitoring results are assessed to determine compliance with legal regulations. If any abnormalities are found, immediate improvements are implemented to ensure the safety and health of personnel. In 2022, a total of 73 monitoring points (including areas and personnel) were completed for work environment monitoring, and all the results were in compliance with legal regulations. • Occupational Safety Education and Training: In order to prevent occupational accidents and safeguard the safety and health of workers, the company conducts regular fire drills and occupational safety education and training every six months. These activities aim to establish the correct safety and hygiene concepts among employees and contractors, enhance disaster crisis awareness, deepen the sense of responsibility and understanding among personnel at all levels, and improve employees' emergency response and self-safety management abilities. • Occupational Safety Promotion: To prevent disasters, the company conducts regular occupational safety promotions. In 2022, a total of 196 occupational safety promotions were carried out. Through these sharing sessions, the company aims to strengthen employees' awareness of safety and health, promote a healthy 	

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
<p>(4) Does the company establish effective career development and training programs for employees?</p> <p>(5) Does the company comply with relevant laws and international standards regarding customer health and safety, customer privacy, marketing, and labeling? Does it establish policies and complaint procedures to protect consumer or customer rights?</p> <p>(6) Has the company established a supplier management policy that requires suppliers to adhere to relevant standards in areas such as environmental protection, occupational health and safety, and labor rights, and how is the implementation of the policy monitored?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>mindset, and enhance the effectiveness of occupational safety management.</p> <p>(4) Through collaborative partnerships with educational institutions or by recruiting fresh talent, the company engages in basic training in cooperation with relevant academic units. Individuals learn industry-specific knowledge and familiarize themselves with the company culture, and are encouraged to progress gradually based on their personal interests and expertise in specific fields.</p> <p>(5) The company adheres to relevant laws and international standards in the marketing and labeling of its products and services, maintains effective communication channels with customers, provides transparent and efficient customer complaint-handling procedures, and has policies and procedures in place to protect consumer rights and address customer complaints.</p> <p>(6) The company has established a supplier management policy, requiring primary material suppliers to comply with relevant regulations on environmental protection, occupational health and safety, and labor rights.</p>	<p>In accordance.</p> <p>In accordance.</p> <p>In accordance.</p>
5. Does the company refer to internationally recognized reporting guidelines or frameworks to prepare non-financial disclosure reports such as sustainability reports? Has the aforementioned report obtained assurance or certification from a third-party verification entity?		✓	The company will refer to internationally recognized reporting guidelines or frameworks to prepare sustainability reports. In the future, it will plan in stages to obtain assurance or certification from a third-party verification entity.	Implemented based on the company's operational conditions and scale.
6. If the company has its own sustainability guidelines in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the differences between its operations and the established guidelines:				

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
Regarding the relevant matters in the guidelines, the company has taken into account the current situation and legal requirements to ensure their implementation.				
7. Other important information that helps to understand the implementation of sustainable development.				
<p>(1) Environmental Protection: The company actively engages in environmental protection efforts, strictly adhering to relevant environmental regulations and standards throughout the production process. Efforts are made to minimize wastewater discharge and achieve waste reduction. Improvements and maintenance of existing environmental protection equipment are carried out to ensure the long-term continuity of environmental protection efforts.</p> <p>(2) Measures were taken in the current year regarding community risks or opportunities</p> <p>Community Engagement, Social Contributions, Social Services, and Social Welfare:</p> <ul style="list-style-type: none">● To support education in the Pingtung area and reduce the disparity in educational resources between urban and rural areas, our company engages in various initiatives, including donating monthly publications, providing scholarships to high school students and vocational students, and supporting childcare institutions. Through these efforts, we aim to empower local students and enhance the educational resources in Pingtung, mitigating the community risk of talent shortage.● Our company is dedicated to caring for the growth and education of children. Through a reading encouragement program, we aim to enhance the reading abilities of children in childcare institutions. Additionally, we actively support the "Planting the Seeds of Reading - Giving Children a Bright Future" charity project initiated by the CommonWealth Cultural and Educational Foundation. We donate the magazines "Future Youth" and "Future Children" to schools in the Pingtung area. By providing these magazines with rich and professional content, we hope to cultivate a love for reading among local students. Through reading, they can broaden their horizons, enrich their lives, and enjoy the benefits of reading while enhancing their international perspective. We believe that reading opens the door to changing the future. <p>Donate one year's worth of "Future Youth" and "Future Children" monthly magazines, a total of 12 issues, to 9 elementary schools and 3 junior high schools in Fangliao, Jiadong, and Fangshan areas of Pingtung. Provide one copy of "Future Children" to each class in grades 1-3, totaling 38 classes and 38 copies, and one copy of "Future Youth" to each class in grades 4-9, totaling 66 classes and 66 copies. The total donation is 104 copies, amounting to NT\$260,000.</p> <ul style="list-style-type: none">● Providing a secure education is the best way for underprivileged families to improve their economic situation, and the high school and vocational school stages are crucial for pursuing education. However, due to financial responsibilities, students from economically disadvantaged backgrounds often struggle to focus on their studies. Dropping out of school becomes a common occurrence. Therefore, our company collaborates with the Twilight Organization to provide scholarships. These scholarships are granted to financially disadvantaged or struggling high school and vocational school students in the Pingtung area. The scholarship recipients are selected from three high schools in the Pingtung region, with three students chosen from each school, totaling nine recipients. The eligibility criteria for the scholarship include ranking within the top 40% of the class or school based on semester grades or maintaining an average score of 70 or above. Each recipient receives 100,000 NT dollars per semester, with a total subsidy of NT\$900,000 over six semesters, amounting to a total of 5.4 million NT dollars.● Continue to care for the education of underprivileged children and provide scholarships to the students of JingJong Preschool in Pingtung, aiming to encourage students to strive for excellent academic performance. A total of 7 students will be eligible for the scholarship, each receiving NT\$20,000. Through our commitment to investing in education, we actively fulfill our corporate social responsibility and make a positive impact on the community.● Sponsor local schools and community events in Pingtung, supporting a total of 14 activities with a combined amount of NT\$104,000.				

Project to Promote	Execution Status			Differences and Reasons Compared to Sustainable Development Practices Guidelines for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
<ul style="list-style-type: none">● Sponsor the Shoushan Cup in the Kaohsiung-Pingtung area, a charity fundraising golf tournament, not only promotes friendship through golf but also combines love and dreams to engage more philanthropic partners in caring for society. A total of NT\$ 200,000 in two installments.● To safeguard community safety and prevent major environmental and occupational safety incidents that could result in health and property losses for the public, in collaboration with the Pingtung County Environmental Protection Bureau, our company conducts toxic chemical accident and air pollution emergency response drills. These drills simulate the response procedures for deteriorating air quality, toxic chemical accidents, and air pollution incidents, including the coordination and activation of relevant units, the initiation of emergency response mechanisms, and the responsibilities of each unit. Through these drills, we aim to strengthen the coordination among units, establish clear task assignments, and enhance mutual support channels. We also utilize various disaster relief resources, manpower, and equipment to improve on-site response and overall disaster response capabilities. By strengthening our ability to handle toxic chemical accidents and air pollution incidents, we can effectively reduce their impact and minimize the loss of lives and assets in the event of a disaster.● To promote sustainable community environments, a beach cleanup event was held in December 2022 along the coastline of Fude Temple in Fangliao Township, Pingtung. 73 participants joined the event and collected 351 kilograms of trash. This activity aimed to improve the environmental ecosystem, create a green living space, establish a sustainable, clean, and healthy environment, and fulfill our corporate social responsibility.				

(6) Fulfillment of integrity in Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and our company, and reasons:

Assessment of Items	Operation Status			Differences in adherence to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons behind them.
	Yes	No	Summary description.	
1. Establishing ethical corporate management policy and program.				
(1) Has the company established an integrity and ethical conduct policy approved by the board of directors, and clearly stated the policy and practices of integrity and ethical conduct in its regulations and external documents? Do the board of directors and senior management actively implement the commitment to the business policy?	✓		(1) The company established the "Code of Conduct" which was approved by the board of directors and presented in the shareholders' annual meeting report on June 20, 2016. The company expects and requires its directors, managers, employees, and individuals with substantial control to actively implement the policies of ethical conduct. The company aims to establish a corporate culture of integrity and regularly reports the implementation status to the board of directors.	In accordance.
(2) Has the company established a mechanism for assessing the risks of dishonest behavior, regularly analyzing and evaluating business activities with a higher risk of dishonest behavior within its scope of operations, and using this information to develop measures to prevent dishonest behavior? Furthermore, does this mechanism cover preventive measures for each item specified in Article 7, Section 2 of the "Ethical Corporate Management Best Practice Principals for TWSE/TPEX Listed Companies"?	✓		(2) The company has implemented the following measures to prevent dishonest behavior: 1. Prevention of dishonest behavior and prohibition of bribery: clearly states within the first chapter of "General Provisions" of the company's code of conduct. The disciplinary measures for violations and the complaint system are outlined in the code of conduct. 2. Protection of intellectual property rights: Achieved through the signing of the "Integrity, Confidentiality, and Intellectual Property Agreement" and employment contracts with employees. 3. "Employee Code of Conduct": To uphold the company's core values, maintain a high level of professional ethics, and ensure that colleagues adhere to the standards of employee behavior in their daily work and business activities. To safeguard the company's reputation and earn the respect and trust of clients, suppliers, and	In accordance.

Assessment of Items	Operation Status			Differences in adherence to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons behind them.
	Yes	No	Summary description.	
(3) Does the company clearly specify operational procedures, code of conduct, disciplinary measures for violations, and a complaint system within its preventive measures for dishonest behavior? Are they effectively implemented and reviewed periodically for necessary revisions?	✓		<p>individuals from various sectors. The "Employee Code of Conduct" has been established for compliance purposes.</p> <p>4. "Integrity Operation Procedures and Behavioral Guidelines": Consisting of a total of 27 regulations, this document includes a reporting system and corresponding procedures for handling reported cases.</p> <p>(3) The company has implemented preventive measures for the provisions of Article 7, Paragraph 2, or other business activities within the higher risk of dishonest behavior as specified in the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies." Regular reviews and revisions of the aforementioned measures are conducted.</p>	In accordance.
2. Implementing integrity in business operations.				
(1) Does the company evaluate the integrity records of counterparties and include integrity clauses in contracts signed with them?	✓		(1) During the credit evaluation process of business partners, their integrity records are assessed. Additionally, the procurement contracts explicitly prohibit dishonest behaviors such as bribery and corruption.	In accordance.
(2) Has the company established a dedicated unit under the supervision of the board of directors to promote corporate integrity, and does it regularly (at least once a year) report to the board of directors on its integrity management policy, measures to prevent dishonest behavior, and the monitoring and implementation status?	✓		(2) The company has already planned to establish a dedicated unit to promote corporate integrity and ethics, and it regularly reports its operations to the board of directors (at least once a year).	In accordance.
(3) Has the company established a policy to prevent conflicts of interest, provided appropriate channels for disclosures, and implemented them effectively?	✓		(3) A stakeholder statement channel has been established on the company's website.	In accordance.

Assessment of Items	Operation Status			Differences in adherence to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons behind them.
	Yes	No	Summary description.	
(4) Has the company established effective accounting systems and internal control systems to ensure the implementation of integrity management? Does the internal audit unit develop relevant audit plans based on the assessment of dishonest behavior risks and use them to verify compliance with measures to prevent dishonest behavior? Does the company engage external accountants to perform audits in this regard?	✓		(4) Effective accounting systems and internal control systems have been established, and internal auditors are responsible for conducting audits in accordance with the audit plan approved by the board of directors.	In accordance.
(5) Does the company regularly organize internal and external education and training on integrity management?	✓		(5) Regular training sessions are conducted on relevant topics to promote awareness of ethical standards and behavioral guidelines.	In accordance.
3. Operation status of the company's reporting system.				
(1) Has the company established specific reporting and reward systems, as well as convenient reporting channels, and assigned appropriate personnel responsible for handling reported cases?	✓		(1) The whistleblowing channels are diverse and unimpeded.	In accordance
(2) Has the company established standard operating procedures for investigating reported matters, as well as the subsequent measures to be taken upon completion of the investigation and related confidentiality mechanisms?	✓		(2) The company has established standard operating procedures for investigating reported matters and relevant confidentiality mechanisms.	In accordance.
(3) Does the company take measures to protect whistleblowers from any improper treatment as a result of their reports?	✓		(3) The process of handling complaints ensures absolute protection for the complainant, preventing any improper treatment as a result of the complaint.	In accordance.
4. Enhance information disclosure Does the company disclose the content of its established code of conduct and the effectiveness of its implementation on its website and public information platform?	✓		(1) The content of the company's established code of conduct and the effectiveness of its implementation have been disclosed on the company's website.	In accordance.
5. If the company has its own code of conduct based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please				

Assessment of Items	Operation Status			Differences in adherence to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons behind them.
	Yes	No	Summary description.	
specify the differences between its operation and the provisions of the established code: The company has taken into account its current situation and legal requirements to ensure compliance with the relevant provisions of the code.				
6. Other important information that helps understand the operation of the company's integrity management: None.				

(7) The company discloses the inquiry methods for its corporate governance rules and related regulations on its official website.

(8) Other important information available that would enhance understanding of the company's corporate governance operations: None.

(9) Disclosure of the implementation status of the internal control system should include the following:

1. Internal Control Statement: See detailed pages.

2. If the internal control system is subject to review by an external auditor, disclosure should include the auditor's review report: Not applicable.

(10) As of the date of the latest annual report and until the printing of the current report, penalties imposed on the company or its insiders in accordance with the law, significant penalties imposed by the company on its internal personnel for violations of the internal control system regulations that may have a significant impact on shareholders' equity or security prices, Information regarding the penalty content, major deficiencies, or improvement status to be disclosed: None.

申豐特用應材股份有限公司

內部控制制度聲明書

日期：112年02月21日

本公司民國一百一十一年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標之達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項檢查結果，認為本公司於民國一百一十一年十二月三十一日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國一百一十二年二月二十一日董事會通過，出席董事7人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

申豐特用應材股份有限公司

董事長暨總經理：



(11) Major Resolutions of the Shareholders' Meeting and the Board Meeting in the recent year and up until the date of publication of the annual report:

1. Major Resolutions and Implementation of the Shareholders' Meeting

Date of the meeting	Content of motion	Implementation status
2022.6.29	<p>Important resolutions of the 2022 General Shareholders' Meeting:</p> <p>Report Items</p> <p>(1) Report on the operating and financial performance of the Company for 2021</p> <p>(2) Review of the 2021 financial statements by the Audit Committee</p> <p>(3) Distribution of employee and director remuneration for 2021.</p> <p>(4) Report on the distribution of employee and director remuneration for 2021</p> <p>Approval Items</p> <p>(1) Approval of the Company's financial statements for 2021</p> <p>(2) Approval of the Company's earning distribution for 2021</p>	<p>After the resolution was passed at the shareholders' meeting, it was announced in accordance with regulations on the Market Observation Post System.</p> <p>The resolution was to distribute a cash dividend of NT\$1,592,612,115 (NT\$15.00 per share). The ex-dividend date was set for August 31, 2022, and the dividend was paid in full on September 22 of the same year.</p>

Date of the meeting	Content of motion	Implementation status
	<p>Discussion Items</p> <p>(1) Amendment of certain provisions of the Company's "Articles of Incorporation", requesting for resolution</p> <p>(2) Amendment of certain provisions of the Company's "Procedures for Handling the Acquisition" or Disposal of Assets", requesting for resolution</p> <p>(3) Amendment of certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting", requesting for resolution</p> <p>Election</p> <p>Election of the 4 directors and the 3 independent directors for the 16th term</p> <p>Other Proposals</p> <p>Proposal to lift the non-compete restrictions for the Company's newly appointed director and the legal entity they represent</p>	<p>Implemented in accordance with the resolution</p> <p>Implemented in accordance with the resolution</p> <p>Implemented in accordance with the resolution</p> <p>The elected directors: SHEU CHI MIN, JEAN LIU, KIRK HWANG, HO YU HUEI; and the elected independent directors: YEN, MENG-FENG, YANG, ARNOLD CHANG MOU, CHENG, FAN-TIEN</p> <p>Implemented in accordance with the resolution</p>

2. Major Resolutions and Implementation of the Board Meeting

Date of the meeting	Content of motion	Resolution
2022.1.25	Year-end bonus of the Company's Chairperson and President for 2021	Unanimously approved by all attending directors
2022.2.25	<ol style="list-style-type: none"> 1. The preparation of the Company's 2021 financial statements 2. The proposal for the distribution of earnings for the Company's 2021 fiscal year 3. Proposal for the Company's employee and director remuneration for 2021 4. The proposal of the "Internal Control System Statement" for the Company's 2021 fiscal year 5. The revision of the Company's "Articles of Incorporation" 6. The revision of certain provisions of the Company's "Procedures for Handling the Acquisition or Disposal of Assets" 7. The revision of certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting" 8. The appointment of the certified public accountants for the Company's 2022 financial statements and tax statements and the proposal for their remuneration 9. The proposal to elect four directors and three independent directors for the 16th term at the 2022 General Shareholders' Meeting 10. The proposal for the date, venue, and agenda of the Company's 2022 General Shareholders' Meeting 	Unanimously approved by all attending directors
2022.5.6	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 first-quarter financial statements 2. The revision of certain provisions of the Company's "Rules and Procedures of Shareholders' Meeting" 3. The proposal to prepare a list of candidates for the election of four directors and three independent directors for the 16th term at the 2022 General Shareholders' Meeting. 4. Proposal to lift the non-compete restrictions for the Company's newly appointed director and the legal entity they represent 	Unanimously approved by all attending directors
2022.6.29	<ol style="list-style-type: none"> 1. Proposal to enter into an industry-university collaboration contract and mutual-benefit mechanism between the Company and National Cheng Kung University/ National Tsing Hua University 2. Appointment of members for the fourth term of the Remuneration Committee 3. Appointment of members for the third term of the Audit Committee 	Unanimously approved by all attending directors
2022.8.4	<ol style="list-style-type: none"> 1. The preparation of the Company's 2022 second-quarter financial statements 2. Proposal to establish the ex-dividend date for the distribution of the Company's 2022 earnings 	Unanimously approved by all attending directors

Date of the meeting	Content of motion	Resolution
	3. Appointment of the Company's spokesperson, acting spokesperson, chief accountant, chief financial officer, and corporate governance officer 4. Application for comprehensive credit line and foreign exchange & derivative financial instruments trading limit for the Company's banking transactions	
2022.11.3	1. The preparation of the Company's 2022 third-quarter financial statements 2. Revision of certain provisions of the Company's "Insider Trading Prevention Management Procedures" 3. Establishment of the Company's "Inside Material Information Handling Procedures" 4. The revision of certain provisions of the Company's "Rules and Procedures of Board Meeting" 5. Application for comprehensive credit line and foreign exchange & derivative financial instruments trading limit for the Company's banking transactions	Unanimously approved by all attending directors
2022.12.20	1. Proposal to establish a "Sustainability Committee" and establish the "Sustainability Committee Charter" 2. The Company's 2023 Operational Plan and Budget 3. The Company's 2023 Audit Plan	Unanimously approved by all attending directors
2023.2.21	1. The preparation of the Company's 2022 financial statements 2. The proposal for the distribution of earnings for the Company's 2022 fiscal year 3. Proposal for the Company's employee and director remuneration for 2022 4. Proposal for the Company's independent director remuneration for 2022 5. The proposal of the "Internal Control System Statement" for the Company's 2022 fiscal year 6. The proposal for the Company to participate in the cash capital increase of SinoPac Financial Holdings Co., Ltd. 7. The appointment of the certified public accountants for the Company's 2023 financial statements and tax statements and the proposal for their remuneration 8. The proposal for the date, venue, and agenda of the Company's 2023 General Shareholders' Meeting	Unanimously approved by all attending directors
2023.4.17	1. Proposal for the appointment of the Company's Acting President	Unanimously approved by all attending directors

- (12) In the recent year and up until the date of publication of the annual report, there have been dissenting opinions with records or written statements from directors or supervisors regarding important resolutions passed by the Board of Directors: None.
- (13) Summary of resignations or dismissals of the company's Chairperson, President, Chief Accountant, Chief Financial Officer, Internal Audit Director, Corporate Governance Officer, and R&D Director in the recent year and up until the date of publication of the annual report:

Summary of resignations and dismissals of key personnel in the Company

April 17, 2023

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Accountant, Chief Financial Officer, Corporate Governance Officer	WU, CHUN-YEN	2008.10.1	2022.8.3	Retired

5. Certified Public Accountant (CPA) Fee Information:

Name of CPA firm	Name of CPA	CPA audit period	Audit fee	Non-audit fee	Total	Remark
Deloitte	LIU, YU-HSIANG KUO, LI-YUAN	2022	2,150,000	-	2,150,000	
Deloitte	LIU, YU-HSIANG KUO, LI-YUAN	2022	200,000	-	200,000	Auditing fees of Shin Foong Trading
Deloitte	LIU, YU-HSIANG KUO, LI-YUAN	2022	-	350,000	350,000	Fees for tax auditing NT\$200,000 and English report NT\$150,000

- (1) If the CPA firm changes, and the audit fee paid in the year of such change is reduced from the audit fee of the previous year, the amount of the audit fee before and after such change and the reason of such change should be disclosed: Not applicable.
- (2) If the audit fee is reduced by more than 10% from last year, the amount, ratio, and reason for the reduction of the audit fee should be disclosed: Not applicable.

6. Information of CPA Change

(1) Information of previous CPA

Date of change	2023.2.21		
Reason of change and explanation	Our company's original certified public accountants were LIU, YU-HSIANG and KUO, LI-YUAN from Deloitte. As Deloitte aims to maintain the independence of certified public accountants and implement internal rotation mechanisms, the certified public accountants will be adjusted and changed to HSU, JUI-HSUAN and WANG, CHAO-CHUN from the first quarter of 2023.		
Explain if change is due to appointer, or the CPA has terminated or refused to accept the appointment	Party of concern	CPA	Appointer
	Situation		
	Voluntarily terminate the appointment	None	None
	Refuse to accept (continue) the appointment	None	None
Comments and reasons for issuing audit reports other than unqualified opinions within the last two years	None		
Disagreement with the issuer	Yes	None	Accounting principles or practices
		None	Disclosure of financial statements
		None	Scope or procedures of audit
		None	Others
	None	✓	
Explanation: There is no such situation.			
Other disclosures (Item 4 to Item 7, Subparagraph 1, Paragraph 6, Article 10 of the Guidelines shall be disclosed)	None		

(2) Information of current CPA

Name of CPA firm	Deloitte
Name of CPA	CPA HSU, JUI-HSUAN and CPA WANG, CHAO-CHUN
Date of appointment	2023.2.21

Prior to appointment, accounting handling methods or principles for specific transactions and opinions, consultation as well as results that may be issued on financial statements	None
Written opinions of the current CPA on matters with which the previous CPA disagreed	None

7. Whether the company's Chairperson, presidents, and managers in charge of its financial and accounting operations have held any positions in the company's independent auditing firm or its affiliates in the most recent year: None.

8. Summary of share transfers and changes in share pledge by directors, supervisors, managers, and shareholders with ownership exceeding 10% in the company during the recent year and up until the date of publication of the annual report:

(1) Change in shareholding of directors, supervisors, managers and major shareholders:

Unit: Share

Title	Name	2022		As of Apr. 1, 2023	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairperson	SHEU CHI MIN	(70,000)	-	(9,000)	-
Managerial Officer	CHIU, HSIU-YING	(67,000)	-	-	-
Director	Hoss Capital Inc.	-	400,000	-	-

(2) Share transfer information: None

(3) Share pledge information: None

9. Relationship between the company's top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship:

April 1, 2023; Unit: Share; %

Name	Own shareholdings		Shares held by spouse & minor children		Total shareholding held through nominees		If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or Name)	Relationship	
YFY Inc. Representative: JEAN LIU	50,968,248	48.00	—	—	—	—	—	—	—
BRILLIANT PRIDE LIMITED Representative: Teo Lily	5,110,365	4.81	—	—	—	—	—	—	—
MULTI-LUCK CORPORATION LIMITED Representative: Kwok wai Chau	5,110,365	4.81	—	—	—	—	—	—	—
Cheng Yu Co., Ltd. Representative: CHANG, HSIN-JU	5,101,000	4.80	—	—	—	—	Ju Yi Representative HSIEH, PAO-YU	Director	—
Ju Yi Industrial Co., Ltd. Representative: HSIEH, PAO-YU	3,222,000	3.03	—	—	—	—	—	—	—
NEW TALENT LIMITED Representative: Modern Victory Limited	2,866,000	2.70	—	—	—	—	—	—	—
Yu Hai Investment Co., Ltd. Representative: LIN, MIAO-CHEN	2,403,084	2.26	—	—	—	—	Hoss Capital Inc. and Hoss Investment Inc. Representative: HO YU HUEI	Second degree in-law with the representative	—
Hoss Capital Inc. Representative: HO YU HUEI	1,805,466	1.70	—	—	—	—	1.Hoss Investment Inc. 2.Yu Hai Investment Co., Ltd. Representative LIN, MIAO-CHEN	1.The same as chairperson 2.Second degree in-law with the representative	—
Hoss Investment Inc. Representative: HO YU HUEI	1,495,466	1.41	—	—	—	—	1.Hoss Capital Inc. 2.Yu Hai Investment Co., Ltd. Representative LIN, MIAO-CHEN	1.The same as chairperson 2.Second degree in-law with the representative	—
SHEU CHI MIN	750,000	0.71	—	—	—	—	—	—	—

10. Shares held by the company, directors, supervisors, managers and companies controlled directly or indirectly by the company, and the comprehensive shareholding ratio based on combined calculation: None

IV. Capital Overview

1. Capital and Shares

(1) Sources of Capital

1. Issued Shares

April 1, 2023; Unit: Share/NT\$

Period	Price at issuance	Authorized capital stock		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
2011.8	10	120,000,000	1,200,000,000	85,768,310	857,683,100	Capital increased by earnings recapitalization NT\$ 75,696,320	None	-
2012.8	10	120,000,000	1,200,000,000	94,345,141	943,451,410	Capital increased by earnings recapitalization NT\$ 85,768,310	None	-
2017.6	10	120,000,000	1,200,000,000	104,264,141	1,042,641,410	Cash capital increase NT\$ 99,190,000	None	-
2018.4	10	120,000,000	1,200,000,000	104,593,141	1,045,931,410	Employee stock options issued as new shares MT\$3,290,000	None	-
2018.7	10	120,000,000	1,200,000,000	104,668,141	1,046,681,410	Employee stock options issued as new shares MT\$750,000	None	-
2019.4	10	120,000,000	1,200,000,000	104,877,141	1,048,771,410	Employee stock options issued as new shares MT\$2,090,000	None	-
2019.7	10	120,000,000	1,200,000,000	104,883,141	1,048,831,410	Employee stock options issued as new shares MT\$60,000	None	-
2020.8	10	120,000,000	1,200,000,000	106,124,141	1,061,241,410	Employee stock options issued as new shares MT\$12,410,000	None	-
2021.10	10	200,000,000	2,000,000,000	106,174,141	1,061,741,410	Employee stock options issued as new shares MT\$500,000	None	-

2.Type of Stock

April 1, 2023; Unit: Share

Type of Share	Authorized Capital Stock			Remark
	Outstanding shares	Unissued stock	Total	
Ordinary shares -registered	106,174,141	93,825,859	200,000,000	-

(2) Status of Shareholders

April 1, 2023; Unit: Share; Person

Composition of Shareholders	Governmental Institution	Financial Institution	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Quantity						
Number of persons	0	4	44	8,094	53	8,195
Shareholding	0	57,000	66,643,685	23,334,283	16,139,173	106,174,141
Shareholding ratio	0	0.05%	62.77%	21.98%	15.20%	100.00%

(3) Shareholding Distribution Status

1. Distribution of ordinary shares ownership

April 1, 2023; Unit: Share

Shareholding classification	No. of shareholders	No. of Shareholding	Shareholding ratio
1- 999	1,968	330,251	0.31%
1,000- 5,000	5,351	10,015,392	9.43%
5,001- 10,000	529	4,038,884	3.80%
10,001- 15,000	123	1,577,166	1.49%
15,001- 20,000	66	1,204,200	1.14%
20,001- 30,000	62	1,589,000	1.50%
30,001- 40,000	30	1,071,188	1.01%
40,001- 50,000	12	557,000	0.52%
50,001- 100,000	20	1,516,338	1.43%
100,001- 200,000	16	2,264,784	2.13%
200,001- 400,000	5	1,225,666	1.15%
400,001- 600,000	1	595,717	0.56%
600,001- 800,000	3	2,106,561	1.98%
800,001-1,000,000	-	-	-
1,000,001-2,000,000	2	3,300,932	3.11%
2,000,001-3,000,000	2	5,269,084	4.96%
3,000,001-5,000,000	1	3,222,000	3.04%
5,000,001 and above	4	66,289,978	62.44%
Total	8,195	106,174,141	100.00%

2. Distribution of preferred shares ownership: The Company has not issued any preferred shares.

- (4) List of major shareholders: Names of shareholders with a shareholding percentage of 5% or more, or the top ten shareholders by shareholding amount, along with their respective shareholdings and percentages.

April 1, 2023; Unit: Share

Name of major shareholder	No. of Shareholding	Shareholding ratio
YFY Inc.	50,968,248	48.00%
BRILLIANT PRIDE LIMITED	5,110,365	4.81%
MULTI-LUCK CORPORATION LIMITED	5,110,365	4.81%
Cheng Yu Co., Ltd.	5,101,000	4.80%
Ju Yi Industrial Co., Ltd.	3,222,000	3.03%
NEW TALENT LIMITED	2,866,000	2.70%
Yu Hai Investment Co., Ltd.	2,403,084	2.26%

Name of major shareholder	No. of Shareholding	Shareholding ratio
Hoss Capital Inc.	1,805,466	1.70%
Hoss Investment Inc.	1,495,466	1.41%
SHEU CHI MIN	750,000	0.71%

(5) Recent two-year data on per share market price, net asset value, earnings, dividends, and related information

Unit: NT\$

Item		2022	2021	As of Apr. 17, 2023 (Note 4)
Market price per share	The Highest	169.00	373.00	68.80
	The Lowest	48.00	128.00	57.40
	Average	93.14	216.69	61.38
Net Value Per Share	Before distribution	56.10	69.35	-
	After distribution	54.60	54.35	-
Earnings per share	Weighted average shares	106,174,000 shares	106,169,000 shares	-
	Earnings per share	1.65	32.74	-
Dividend Per Share	Cash dividends	1.50	15.00	-
	Free-Gratis Dividends	Retained Shares Distribution	-	-
		Capital reserve Shares Distribution	-	-
	Retained Dividends		-	-
Return on Investment Analysis	Price-to-Earnings Ratio (Note 1)		56.45	6.62
	Price-to-Dividend Ratio (Note 2)		62.09	14.45
	Cash Dividend Yield Rate (Note 3)		1.61%	6.92%

Note 1: P/E ratio = Average closing price per share for the year / Earnings per share

Note 2: P/D ratio = Average closing price per share for the year / Cash dividend per share

Note 3: Cash Dividend Yield Rate = Cash dividend per share / Average closing price per share for the year

Note 4: Net value per share and earnings per share should be filled with the most recent quarter's data audited (reviewed) by the CPA up until the date of publication of the annual report. The remaining columns should be filled with the data for the current year up until the date of publication of the annual report.

(6) Company dividend policy and implementation status

1. Dividend policy as defined in the Company's Articles of Incorporation:

In consideration of the overall environment and in line with long-term financial planning for sustainable and stable business development, the Company's dividend policy is primarily based on the future capital budgeting plan to assess the funding requirements for the upcoming years. Initially, the necessary funds are allocated through retained earnings. After retaining an appropriate amount for operational needs, at least 20% of the remaining earnings are distributed as cash dividends, while the rest is distributed as stock dividends. However, in the event of capital expenditure requirements, the entire remaining earnings may be distributed as stock dividends.

2. Dividend distribution proposed for this year: On February 21, 2023, the Board of Directors decided to distribute a cash dividend of NT\$1.50 per share from the profit allocation, with a total amount of NT\$159,261,000. This will be reported at the 2023 General Shareholders' Meeting.
 3. Explanation when significant changes are expected in the dividend policy: There are no significant changes expected in the dividend policy.
- (7) The proposed bonus share issuance at the shareholders' meeting and its impact on the company's business performance and earnings per share

The Company, as per the proposal by the Board of Directors on February 21, 2023, does not intend to distribute stock dividends. This proposal will be presented for resolution at the 2023 General Shareholders' Meeting.

(8) Employee, director, and supervisor remuneration

1. The percentage and range of the employee, director and supervisor remuneration as stated in the Company's Articles of Incorporation:

In any profitable year, the Company shall allocate at least 1% of the profits as employee remuneration and up to 2% as director remuneration. However, if the Company has accumulated losses, an amount should be reserved first for offsetting the losses before allocation. Director remuneration is provided in cash, while employee remuneration can be provided in cash or stock, with the eligibility criteria for distribution including employees of subsidiary companies as determined by the authorized Board of Directors based on certain conditions. The ratio of director remuneration, the method of distribution and ratio of employee remuneration, shall be determined by a resolution of the Board of Directors with the presence of at least two-thirds of the directors and the approval of a majority of the attending directors, and reported to the shareholders' meeting.

When calculating employee and director remuneration, the profits for the year (i.e., net profit before deducting employee and director remuneration) shall be deducted by the accumulated losses, and the remaining balance shall be used for calculating employee and director remuneration.

2. The estimation basis for the current period's provision for employee, director, and supervisor remuneration, the calculation basis for stock-based employee remuneration in terms of shares, and the accounting treatment in case of any differences between the estimated and actual distribution amounts:

The remuneration for employees, directors, and supervisors was decided by the Board of Directors on February 21, 2023, to be distributed in cash, pending the report at the 2023 General Shareholders' Meeting. If there are significant changes in the amount of remuneration as decided by the Board of Directors prior to the approval date of the annual financial report, the original provision for annual expenses will be adjusted to reflect the change. If there are further changes in the amount after the approval date of the annual financial report, they will be accounted for as estimate changes and adjusted in the following year's financial statements.

3. Remuneration distribution approved by the Board of Directors:

- (1) If the amount of employee compensation and director and supervisor remuneration distributed in cash or stocks is different from the annual estimated amount of accrual expenses, the number of discrepancies, reasons and handling status shall be disclosed: There are no differences in employee remuneration. The amount of director remuneration distributed was NT\$5,500,000, and the difference will be accounted for

as an estimate change and adjusted in the following year's financial statements.

(2) The proportion of employee remuneration distributed in the form of stock to the current period's net profit after tax and the total amount of employee remuneration: Not applicable.

4. Remuneration distribution and its outcome reported at shareholders' meeting: To be reported in the 2023 General Shareholders' Meeting.

5. If the actual distribution status of employee dividends, director and supervisor remuneration in the previous year (including the number of shares distributed, amount and stock price) is different from the recognized employee, director and supervisor remuneration, the number of differences, reasons and handling situation shall be stated: None.

(9) Repurchase of Company shares: None

2. Corporate bond issuance status: None

3. Preferred stock issuance status: None

4. Global depositary receipt issuance status: None

5. Employee stock option certificate issuance status: None

(1) The issuance of employee stock option certificate, which has not yet reached its maturity, and its impact on shareholders' equity: None

(2) List of executives receiving employee stock option certificate and the top ten employees with stock option certificate as of the date of publication of the annual report: Not applicable

(3) The issuance of employee stock option certificate through private placement for the past three years and up to the date of publication of the annual report: None

6. Restricted stock awards: None

7. Status of new shares issuance in connection with mergers and acquisitions: None

8. Financing plans and implementation: None

V. Operational Overview

1. Business Content

(1) Business Scope

1. The main business activities of our company are as follows:

Shin Foong Corporation, established in July 1979, has been dedicated to the research, production, and sales of synthetic latex under the product name "POLYLAC." In the early years, our focus was on the production of SBR. Through continuous process improvements and research and development, our applications expanded from paper and paperboard coating to the textile, construction materials, and wood processing industries. In 2004, Shin Foong introduced value-added products of SBR, including formaldehyde-free adhesives for the secondary processing of plywood that comply with the strictest environmental standards, significantly enhancing the quality of plywood and wood processing industries domestically and internationally. In 2005, we introduced NBR, which exhibits excellent chemical stability and film-forming properties and is free from proteins, making it suitable for the manufacturing of various types of gloves.

Based on over 30 years of professional expertise and research and development capabilities, Shin Foong has maintained a leading position in the paper coating adhesion technology using SBR. Additionally, in the application of latex gloves for medical and electronic industry inspections, acrylonitrile latex has gained recognition from major international latex glove manufacturers, becoming a trusted supplier of upstream raw materials and achieving fruitful results. In the future, Shin Foong will continue to strive for excellence in terms of processes and technology, focusing on developing specialty materials with market niches in the areas of green environmental protection and medical biotechnology. This expansion aims to enhance the company's brand value.

The business operations of our company are as follows:

- A. C801060 Synthetic Rubber Manufacturing
- B. C802120 Industrial and Additive Manufacturing
- C. F107990 Wholesale of Other Chemical Products
- D. F107050 Wholesale of Fertilizer
- E. F107080 Wholesale of Environmental Agents
- F. F107170 Wholesale of Industrial Catalyst
- G. F107190 Wholesale of Plastic Films and Bags
- H. F107200 Wholesale of Chemical Feedstock
- I. I199990 Other Consulting Service
- J. C802090 Manufacture of Cleaning Preparations
- K. C802100 Cosmetics Manufacturing
- L. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Business distribution:

Main Products and Business Distribution:

Main Products and Applications			Business Distribution (%)	
			2022	2021
Synthetic Latex Raw Materials for Medical Devices and Other Applications	NBR	Medical product testing	71.45	94.11
		Electronic product testing		
	SBR	Paper industry	25.49	5.89
		Green building materials		
		Others		
Others			3.06	-
Total			100.00	100.00

3. The current product (service) offerings of the company:

Synthetic Latex, which is a synthetic rubber latex material, is mainly used in medical product testing, electronic product testing, the paper industry, new energy, and green and environmentally friendly building materials.

4. Planned development of new products (services):

- A. Actively exploring new applications for synthetic latex products, such as green building materials and adhesives, low-temperature formaldehyde-free wood adhesives, high-assist stabilizer adhesives, specialty paper markets, tapes, and other applications.
- B. In response to specific product requirements from clients, we collaborate to develop different formulations of raw materials to meet their specific product needs.
- C. Bio-latex, the introduction of bio-based materials into latex, is applied in various fields such as papermaking, textiles, and composite materials.
- D. New energy adhesives.
- E. High-performance water-based elastic pressure-sensitive adhesive.

(2) Industry Overview

1. Current status and development of the industry

Overall economic environment:

Under the influence of multiple adverse factors such as the COVID-19 pandemic, the outbreak of the Russo-Ukrainian war crisis, the continuous tightening of monetary policy by the Federal Reserve, escalating U.S. restrictions on Chinese technology and decoupling, as well as China's lockdown and supply chain disruptions, the global economy experienced high-frequency fluctuations in 2022. Geopolitical instability and rapid inflation forced central banks around the world to raise interest rates, leading to a significant economic downturn and the possibility of stagflation. In 2023, the

global economy is expected to face deeper risks of stagflation and recession, with overall performance potentially more challenging than in 2022. According to the International Monetary Fund (IMF) forecast, if financial institution risks are effectively controlled, the global economic growth rate is expected to be revised downward from 3.4% in 2022 to 2.8% in 2023, with a potential improvement to 3.0% in 2024. However, if the pressure on financial institutions intensifies, the global economic growth rate in 2023 could decline to 2.5%, marking the weakest period of global economic growth since 2001, excluding the global financial crisis in 2009 and the COVID-19 pandemic in 2020. Due to the decline in commodity prices, the global inflation rate is expected to decrease from 8.7% in 2022 to 7.0% in 2023, and further decline to 4.9% in 2024. However, the core inflation rate may decrease at a slower pace. In most cases, it is unlikely that inflation will return to the target level before 2025. In Taiwan, according to the report, the economic growth rate reached 2.5% in 2022. It is projected that the economic growth rates for the years 2023 and 2024 will be 2.1% and 2.6% respectively. In terms of inflation, Taiwan's inflation rate was 2.9% in 2022. It is expected to decrease to 1.9% in 2023, which is significantly lower than the global average of 7%. The inflation rate for 2024 is estimated to further decrease to 1.7%. As for the unemployment rate, it is projected to remain at the level of 3.7% in both 2023 and 2024. 2022 was a tumultuous year, characterized by significant changes in both the overall economy and the international political landscape. These changes had a profound impact on financial markets, including stocks, bonds, currencies, and various derivative financial products. In addition to the financial markets, the real economy and the international political landscape have also undergone changes, potentially leading to significant and long-lasting shifts in supply chain structures, as well as the funding environment that was previously accustomed to.

Looking ahead, future trends in synthetic latex application usage will become more diversified. Our company's future development strategy will uphold the principles of specializing in existing technologies, diversifying application layouts, and avoiding price competition. We will focus on improving the overall operational performance of the company. To enhance operational efficiency with limited resources, we will pursue vertical integration for optimizing the industry value chain. In terms of operational strategy, our company will emphasize sustainable development, value, technological innovation, and the execution of management practices as important missions of corporate operations. Our development vision centers around prudent management, circular economy, enterprise risk governance, and maintaining a sound financial structure for sustainable business operations.

Current status and development of Shin Foong's main product, synthetic latex, in the industry.

A. SBR

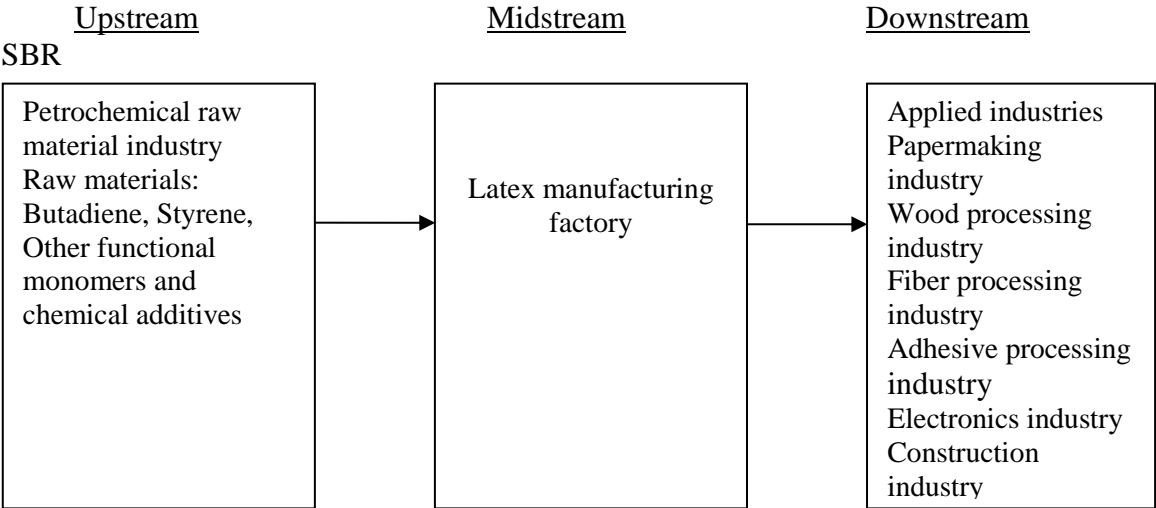
The production process of SBR involves emulsion polymerization. The raw materials used in the production include butadiene, styrene, third monomers, and other additives. Depending on the ratio of butadiene to styrene, it can be classified into SBR Latex and XSBR Latex (carboxylated SBR). The product of Shin Foong belongs to the latter. With its superior pigment adhesion strength compared to acrylic and PVAc latex, SBR has become the mainstream synthetic latex used in early copperplate paper coating. It is widely used in applications such as coatings, cement modification additives, fiber impregnation, and adhesives.

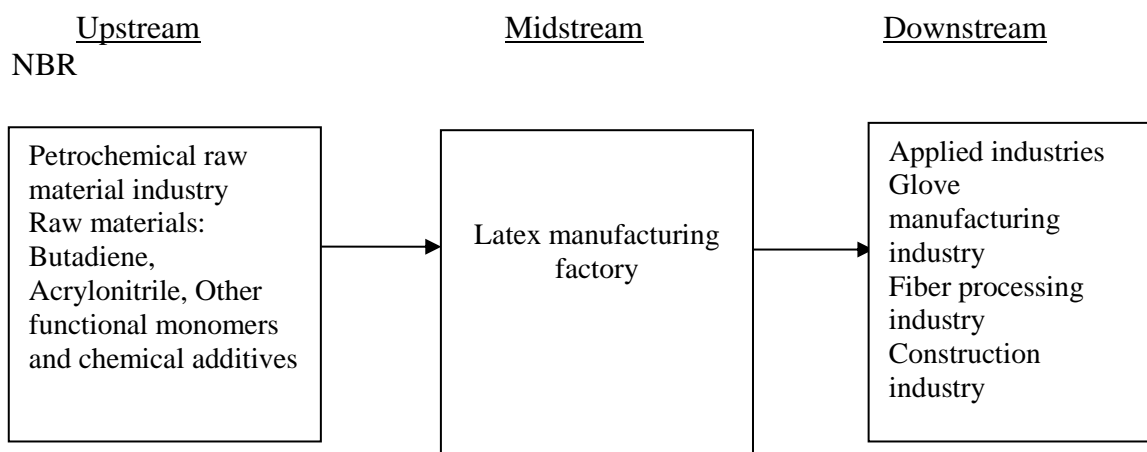
According to IHS data, carboxylated SBR is primarily used in the paper industry, so changes in the competitive landscape of the paper industry have an impact on the demand and business cycles of carboxylated SBR. Shen Feng's carboxylated SBR is mainly applied in the domestic paper and paperboard industry. The widespread use of handheld electronic products, coupled with the convenience of the Internet, has impacted the demand for paper. According to market research reports, the coated paper market is expected to have a compound annual growth rate of 4% from 2016 to 2026. Although the global market is affected by factors such as the economic slowdown in China and the US and the COVID-19 pandemic, which bring uncertainty to the global demand for SBR in the paper industry, our company has a stable demand as it has long-term partnerships with major paper mills in Taiwan, capturing 90% of the SBR market for paper production.

B. NBR

Since 2003, our company has been expanding into overseas markets to seek product application diversification. The global import volume of NBR has been steadily growing since 1998. In 2005, Shin Foong introduced NBR for glove applications. It exhibits excellent chemical stability, and film-forming properties, and is free from allergenic proteins, making it highly desirable. Additionally, it demonstrates outstanding resistance to chemical erosion. This product has received widespread acclaim and is in high demand. Through years of dedicated market cultivation and efforts, Shin Foong has become one of the world's leading suppliers of NBR and currently ranks as the 7th largest manufacturer globally.

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





3. Development Trends of the Product

A. SBR

(A) Paper Coating

SBR is widely used in paper and paperboard coating applications. It provides high smoothness, glossiness, brightness, color intensity, and printability to coated paper, making it suitable for fine printing purposes such as flyers, magazines, and catalogs. Additionally, coated paperboard is used in packaging materials, bringing gloss and smoothness to the packaging. In the application of paper and paperboard coating, the development trend of SBR will focus on reducing the coating amount, improving paper strength, and enhancing glossiness.

(B) New energy materials adhesives

With the continuous growth of the global electric vehicle (EV) market and promising prospects, countries around the world are actively promoting electric vehicles. In 2022, it was the best year ever for the development of electric vehicles, with global sales of approximately 7.8 million fully electric vehicles, a 68% increase compared to 2021. Electric vehicles accounted for 10% of global new car sales, mainly driven by strong growth in the Chinese and European markets. It is projected that global EV sales will surpass 20 million units by 2025, with a Compound Annual Growth Rate (CAGR) of 21% from 2021 to 2030. Therefore, the application of SBR as an adhesive in new energy materials is also highly anticipated.

(C) Special fibers

With excellent adhesive properties, SBR is widely used as a binder in various applications such as pigment coatings, adhesives, fiberglass, cement additives, and fiber processing. In recent years, there has been increased attention to high-performance textile products. Compared to the addition of functional additives in the pre-spinning process, post-processing methods can better meet the customized order requirements of downstream customers in small quantities and diverse varieties. With the strong downstream demand in the textile markets of mainland China and Southeast Asia, our company has also expanded its presence in the downstream applications of SBR for fiber processing.

(D) Wood adhesive

The wood adhesive market has been affected by the bankruptcy of the Bed Bath & Beyond furniture market, but the market has confidence that it will gradually stabilize. The plywood manufacturing market is mainly concentrated in Malaysia and China due to the sourcing of raw materials. According to market analysis reports, the annual compound annual growth rate of the plywood adhesive market is projected to be 4.8% from 2019 to 2024. In addition, with the rise of health consciousness in advanced countries, Northern Hemisphere countries are imposing increasingly strict restrictions on environmental hormones. Therefore, the use of formaldehyde-free products will become a necessary consideration for downstream manufacturers when selecting adhesives.

(E) Cement and asphalt modifiers

The elasticity of synthetic latex polymers provides flexibility to cement and asphalt, meeting the growing demand for green building materials driven by regulatory factors. Additionally, the excellent adhesion strength and waterproof properties of SBR contribute to the increasing market demand for this material.

B. NBR

In the past few years, the global demand for disposable rubber gloves has been rapidly increasing, with an annual compound growth rate of 7%. Currently, countries in Europe, America, and other regions have implemented regulations requiring certain industries to use disposable gloves. The raw materials for gloves include natural latex, PVC, NBR, and other synthetic latex materials.

Traditional natural latex is commonly used in traditional disposable gloves, and it has been developed in the market for a long time. However, its raw material supply is unstable and prices fluctuate greatly. Moreover, research has found that a certain percentage of users develop allergic reactions to the proteins present in natural latex. On the other hand, nitrile gloves, which are mainly made from NBR, have excellent mechanical properties, including high strength and good elongation. They are convenient to wear, have good breathability, provide a comfortable fit, are resistant to acids and alkalis, offer excellent isolation, do not induce allergic reactions, and have antistatic properties. Additionally, there's a competitive advantage in price. Therefore, there has been a significant increase in the demand for NBR gloves as a substitute for traditional natural latex gloves.

Nitrile gloves are widely used in medical care, laboratories, electronics industry processing, food processing, and other fields. It is expected that there will be significant development opportunities in the future, particularly in the food and electronics industries.

4. The competitiveness of products:

The company's synthetic latex is affected by fluctuations in raw material prices. In addition to the difficulty in controlling costs on the raw material side, there is competition in the international market from major manufacturers such as BASF, Trinseo, Synthomer, LG Chem, Kumho, Asahi Kasei, Zeon, and others. Here, we will analyze the competition between these two.

A. SBR

Shin Foong's strong technical background from Mitsui, Japan, ensures high and stable product quality. With the advantage of localization, the company upholds a win-win principle with its customers. We maintain good supply relationships with upstream raw material suppliers such as CPC Corporation, Formosa Plastics, and Taiyen. We also established long-term collaborations with local paper mills and textile factories for over 30 years, giving it a dominant position in the market. The market competition for wood adhesives, including urea-formaldehyde, PVAc, and EVA adhesives, has intensified and affected pricing. However, stable supply relationships with plywood manufacturers in China and Malaysia are maintained. Both domestic and international sales have remained profitable and stable. Building upon this foundation, we continue to develop various applications and aims for product diversification and customization, strengthening customer relationships. We've successfully expanded into multiple projects, particularly in the fields of new energy adhesives and building materials.

B. NBR

Based on feedback from downstream customers, Shin Foong's NBR has positive responses in terms of glove fit, superior tactile sensation compared to other brands, and most importantly, it possesses a low pinhole rate, which is highly valued in medical gloves. Therefore, it has gained support from downstream customers. Despite facing price competition, a certain proportion of customers still use Shin Foong's latex. As a result, Shin Foong's brand still maintains a certain market share. Building upon this foundation, the company continues to invest in research and development resources to develop high-strength NBR for disposable gloves, with the aim of expanding its market share within the existing niche.

(3) Technical and Research and Development (R&D) Overview

1. R&D expenses for the most recent fiscal year and up to the printing date of the annual report (Unit: NT\$1,000)

Year	2022	2021
R&D expenses	32,933	60,566

2. Successfully developed technologies or products

A. Scope of Styrene

- (A) Paper coating products
- (B) Paper laminating products
- (C) Fiber impregnation products
- (D) Wood bonding products
- (E) Specialty paper coating products
- (F) Eco-friendly soundproofing water gel

B. Scope of Nitrile

- (A) Products for manufacturing inspection gloves
- (B) High-strength glove products

C. Water-based pressure-sensitive adhesive

D. Lithium battery negative electrode adhesive

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

(1) Short-term plans

- A. Continuous process and quality optimization.
- B. In response to clients' product requirements, jointly develop convenient and environmentally friendly high-strength NBR that meets regulatory standards, enabling the processed gloves to achieve an ultra-thin and comfortable fit.
- C. In response to food industry requirements, develop NBR that meets food safety regulations, providing downstream customers with glove production.
- D. In response to the environmental protection and personnel safety regulations that are gradually becoming law, collaborate with customers to develop zero-formaldehyde emission styrene water-based latex for use in green building materials.
- E. In response to the specific requirements of the medical industry, develop high-elasticity medical gloves that don't contain proteins, eliminating the risk of allergic reactions, and serve as a viable alternative to traditional thick latex gloves made from natural rubber.

(2) Mid-term plan

- A. Develop and improve low VOC water-based environmentally friendly materials for dissimilar material bonding and energy-saving latex.
- B. Develop environmentally friendly latex for use in pressure-sensitive adhesives.
- C. Use existing emulsion polymerization techniques, and collaborate with customers to develop latex with specific specification requirements.
- D. Develop NBR that is resistant to specific solvents for use in the chemical industry, based on the differences in solvent properties.
- E. Developing anti-static NBR that meets the specific requirements for industries

such as semiconductor, electronics, optoelectronics, and others that require anti-static properties.

(3) Long-term plan

- A. Develop high-value-added special materials through international technology cooperation or technology acquisition.
- B. Set up the company's second phase of repositioning, based on the overall strategic thinking of the company, with a focus on developing green materials, utilizing recycled resources, and reducing environmental impact, in order to develop competitive and high-value-added products or services.

2. Market and Sales Overview

(1) Market Analysis

1. Sales Regions of Main Products

Unit: NT\$1,000

Sales regions		2022		2021	
		Amount	%	Amount	%
Domestic sales		326,679	19	433,153	5
Export sales	Asia	1,320,557	78	7,627,423	94
	Others	55,327	3	101,138	1
	Subtotal	1,375,884	81	7,728,561	95
Total		1,702,563	100	8,161,714	100

2. Market share: Our company is the 7th largest NBR manufacturer globally, with a market share of approximately 5%. In the case of SBR for papermaking, Taiwan accounts for about 90%.
3. Market future supply and demand situation and growth potential:
 - A. SBR

According to research reports, the global SBR market is estimated to grow at a compound annual growth rate of 7% from 2019 to 2025. This growth rate is significantly higher than the global growth momentum. In addition to the stable applications in paper and paperboard coating, fiber processing, and wood processing, the increasing focus on environmental protection and the implementation of regulations in various countries are driving the demand for water-based adhesives. Water-based adhesives are considered more environmentally friendly and are expected to replace some of the solvent-based adhesives in the market. Therefore, the company is focusing on the development of high-value customized products such as adhesives for lithium battery negative materials, water-based PSA adhesives, and adhesives for construction materials. By establishing technical expertise and creating entry barriers, the company aims to achieve long-term operational growth in line with its strategic direction.

B. NBR

Due to the ongoing COVID-19 pandemic and the continuous mutation of the virus, the demand for gloves in 2021 remained high, similar to the surge observed in 2020. However, the impact of the pandemic extends beyond the glove industry and has also affected the direction of international trade. Starting from the second half of 2021, the COVID-19 situation worsened in Southeast Asia, leading to disruptions in shipping and a direct tightening of the global supply chain due to personnel control measures. The strong demand for medical protective equipment cannot shield the overall economic market from imbalance, inflation risks, and the rise of emerging industries, which will continue to inevitably affect the medical glove industry. The pandemic-related effects have also resulted in high inventory levels among downstream and end customers in 2022. Since 2022, inflation and supply chain bottlenecks have posed variables to the global economy, reflecting on manufacturing industries in various countries. Destocking pressures have swept major manufacturing plants worldwide, and these pressures are expected to persist throughout 2023.

4. Competitive niche

A. SBR

- (A) Long-term customer collaboration: Our company is the largest manufacturer and supplier of SBR in Taiwan. The major paper mills in Taiwan are long-term cooperative customers, providing a solid order base.
- (B) Production/Sales/Research/Technical Service Professional Division: The downstream applications of SBR require high levels of technical service and research capabilities. In order to enhance the quality of customer service, our company has separated research and technical services, aiming to achieve a specialized division of labor. By focusing on research and development as the core and technical services as support, we can assist sales and meet market demands in a more technologically-driven manner.
- (C) Research collaboration with Yong Feng Yu Group: Yong Feng Yu Group has solid networks and resources in both Taiwan and China. Through long-term cooperative relationships, we have developed a wide range of connections to optimize the upstream raw material suppliers' sensitivity to the downstream market.

B. NBR

- (A) Collaboration with major international disposable medical glove manufacturers, which facilitates the understanding and development of new technologies.
- (B) Excellent maneuverability.
- (C) Established overseas brand recognition.
- (D) There is a trend of replacing natural latex with NBR, in regards to raw materials for disposable medical gloves, and the market is still growing.

5. Favorable and unfavorable factors in the development prospects and corresponding strategies:

① Favorable factors

(A) SBR

a. Asia remains the driving engine for the growth of SBR.

SBR is produced using polymer emulsion technology. Considerations such as mechanical stability, freeze stability, and storage stability are taken into account during transportation and storage. In international trade, SBR is subject to long-term transportation conditions that can potentially compromise its stability. Therefore, major latex producers tend to establish production facilities near the areas of use to ensure proximity in supply. Taiwan serves as a transshipment hub in East Asia, allowing Shin Foong to leverage this advantage and expand the diversity of its customer base and product applications.

b. The rise of electric vehicles

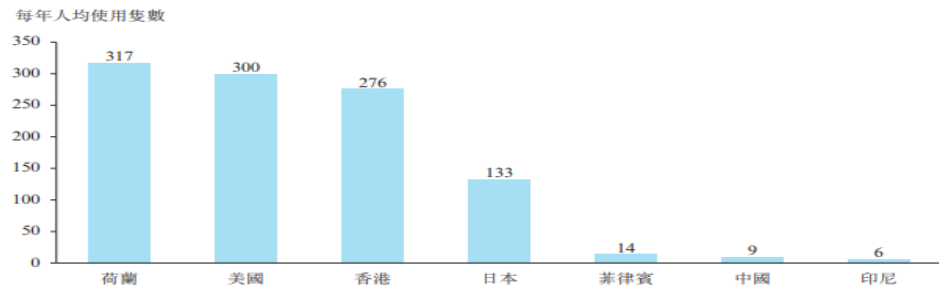
As the global electric vehicle market continues to grow, Yuanta Consulting predicts that global sales of new energy vehicles will increase from 2.9 million units in 2020 to 47.3 million units in 2032, with a penetration rate rising from 4.2% to 44.6%. The electric vehicle market expansion will drive the demand for automotive new energy batteries. Synthetic latex, with its water-based and environmentally friendly advantages, serves as a mainstream alternative adhesive for new energy vehicles. It is expected to benefit from the growing electric vehicle market and favorable external conditions.

(B) NBR

a. Emerging markets' usage increase and the pandemic accelerated changes in usage habits.

The COVID-19 pandemic has led to an increase in glove usage, particularly in emerging regions with low initial glove usage rates such as China, India, Indonesia, etc. The growth rate and demand in these regions are expected to surpass those of developed countries. According to a market report by Frost & Sullivan, the average per capita glove usage in China was 9 pairs in 2020, which is significantly lower than the average of 300 pairs in the United States. However, as public awareness of hygiene importance continues to increase in these developing countries, especially in light of new infectious diseases such as COVID-19 and H1N1, China has implemented healthcare reforms, Indonesia promoted universal health coverage, and India implemented national rural health programs. Therefore, there is still significant growth potential in the latex glove market.

2020年人均一次性手套使用量



Data source: Frost & Sullivan market

- b. Regulations standardized the demand for disposable gloves, with national-level healthcare policies playing a supporting role in this regard

Due to the impact of the COVID-19 pandemic and the increasing emphasis on healthcare expenditures in Asian regions in recent years, there has been a rise in rigid demand, indicating significant potential for the product. Governments in countries such as China, the Philippines, Vietnam, Russia, India, Malaysia, and Indonesia have all planned healthcare reform policies. In January 2020, the National Health Commission of China issued regulations stating that healthcare personnel must wear disposable gloves when necessary. The Singapore Business Federation's "Business Continuity Planning Guide for Dealing with Coronavirus Disease" requires companies and individuals to have an adequate supply of masks and disposable gloves. Additionally, according to the requirements of the French Ministry of Health, restaurant staff are required to undergo annual food safety training and are recommended to wear disposable gloves during food service. Although the COVID-19 pandemic may last for a limited period of time, increased hygiene awareness and government policies/measures are likely to drive the demand for disposable gloves in the medium to long term.

- c. As the population ages, the growing demand for long-term care nursing services also drives the overall need for Personal Protective Equipment (PPE).
- d. The impact of a major influenza virus outbreak has accelerated awareness of protection and isolation measures, with NBR gloves becoming the mainstream choice in the disposable glove market.
- e. The environmental policies in China have had a negative impact on the domestic petrochemical industry.

Since 2016, mainland China has implemented multiple central-level environmental inspections on the PVC industry. These inspections have led to increased costs for downstream PVC glove businesses. Furthermore, the tightening of environmental regulations has caused structural adjustments and reshuffling among suppliers. Some producers of PVC resin and PVC gloves have gradually exited the market. This has had a positive impact on stabilizing

the prices of disposable gloves globally.

- f. The growth rate of the glove market is expected to stabilize after a major influenza outbreak. However, due to the increased hygiene awareness across the entire market, it is anticipated that the growth rate will still surpass the pre-pandemic levels.

② Negative factors and corresponding strategies

(A) SBR

With the widespread use of smartphones, tablets, e-books, and other handheld electronic devices, as well as the convenience of the Internet, demand for paper has taken a hit. Additionally, the financial instability of furniture retailers in the United States has added to the challenges. In response to this situation, Shin Foong will strengthen cooperation with end-users, distributors, and dealers, actively develop new product lines, and expand market share. The company will focus on developing high-value-added customized products such as adhesives for negative electrode materials used in lithium batteries, water-based rubber-based pressure-sensitive adhesives (PSA), and construction adhesives. It will leverage its unique technical expertise, continue research and development in latex for green building materials, and has already begun laying the foundation for medical latex and other related products, aiming to achieve long-term business growth.

(B) NBR

The largest downstream market for NBR is the disposable medical glove industry. In recent years, import demand for NBR has grown at the fastest in Malaysia. As a result, major latex producers have established factories in Malaysia to supply the market, and a significant amount of production capacity is dedicated to supplying local glove manufacturers. While Malaysia's economy has been thriving in recent years, there is still a risk of market concentration in a single region, while overall glove inventory levels remain high.

In response to the aforementioned challenges, Shin Foong is actively addressing market and customer demands by developing products for new markets and applications. The company aims to enhance its technological capabilities and strengthen customer engagement through technical collaborations. Additionally, Shin Foong is proactively exploring new fields and markets to diversify its business and reduce reliance on specific regions.

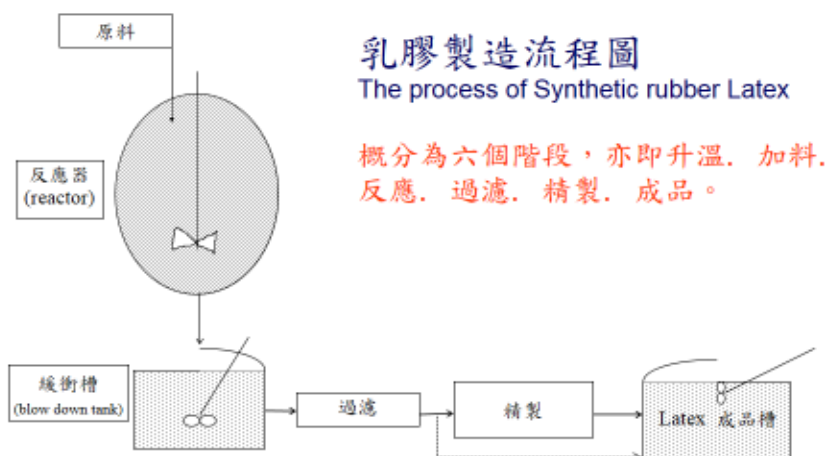
(2) The important uses and production processes of the main products

1. Important uses of the main products

Product	Use
Synthetic latex raw materials for medical devices and other applications.	1. Suitable for manufacturing various types of gloves used in medical, laboratory, electronic, food, industrial, and household applications. 2. Paper coating, carpet backing, paper impregnation processing, non-woven fabric impregnation processing, and latex sheets. 3. Green building materials: Plywood secondary processing, environmentally-friendly wood fiberboard, floor sound insulation pads.



2. Production processes of the main products



(3) The supply status of the main raw materials

Our company's main raw materials are butadiene, styrene, and acrylonitrile. Our main suppliers include CPC Corporation, Taiwan Plastics, Formosa Petrochemical, and Tairylene. Supply sources and quality of materials are stable.

(4) List of major sales and purchase customers in the past two years

- Suppliers that accounted for more than 10% of the total purchase amount in any of the past two years, purchase amounts and percentages, reasons for transaction increase or decrease

Unit: NT\$1,000

Item	2022				2021			
	Name (Note)	Amount	Percentage of annual net purchase amount (%)	Relationship with the Supplier	Name (Note)	Amount	Percentage of annual net purchase amount (%)	Relationship with the Supplier
1	A Company	198,305	26.26	-	A Company	521,469	19.10	-
2	B Company	106,300	14.07	-	B Company	113,954	4.17	-
3	C Company	83,107	11.00	-	C Company	476,419	17.45	-
4	D Company	75,855	10.04	-	D Company	639,114	23.40	-
5	E Company	61,886	8.20	-	E Company	380,920	13.95	-
6	Other	229,808	30.43	-	Other	598,636	21.93	-
	Net purchase amount	755,261	100.00		Net purchase amount	2,730,512	100.00	

Note: Supplier names cannot be disclosed due to contractual agreements, and are represented by codes.

We select trading partners based on factors such as actual needs and supplier transaction conditions, taking into account various considerations.

- Customers that accounted for more than 10% of the total sales amount in the past two years, sales amounts and percentages, reasons for transaction increase or decrease.

Unit: NT\$1,000

Item	2022				2021			
	Name (Note)	Amount	Percentage of annual net sale amount (%)	Relationship with the Supplier	Name (Note)	Amount	Percentage of annual net sale amount (%)	Relationship with the Supplier
1	A Company	607,374	35.67	-	A Company	911,226	11.16	-
2	B Company	257,244	15.11	-	B Company	2,652,460	32.50	-
3	CHP	228,545	13.42	Related Party	CHP	258,230	3.16	Related party
4	C Company	89,571	5.26	-	C Company	1,197,818	14.68	-
5	D Company	-	-	-	D Company	1,071,712	13.13	-
6	Other	519,829	30.54	-	Other	2,070,268	25.37	-
	Net sales amount	1,702,563	100.00		Net sales amount	8,161,714	100.00	

Note: Customer names cannot be disclosed due to contractual agreements, and are represented by codes.

There've been no significant changes in our company's major customers in the past two years.

(5) Table of production volume in the past two years.

Unit: Capacity, Production Volume/Metric Ton; Value/NT\$1,000

Main products		2022			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Synthetic latex raw materials for medical devices and other applications.	NBR	127,200	20,906	832,842	127,200	120,036	8,028,073
	SBR	15,000	11,134	435,003	15,000	13,449	486,534
Other		50	10	221	50	17	183
Total		142,250	32,050	1,268,066	142,250	133,502	8,514,790

(6) Table of sales volume in the past two years.

Unit: Volume/Metric Ton; Value/NT\$1,000

Main Products		2022				2021			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic latex raw materials for medical devices and other applications	NBR	572	27,185	29,989	1,189,260	1,192	87,064	113,492	7,593,547
	SBR	8,936	299,451	2,202	134,500	10,490	346,048	2,844	134,905
Other		7	43	1,916	52,124	8	41	2	109
Total		9,515	326,679	34,107	1,375,884	11,690	433,153	116,338	7,728,561

3. Number of Employees, Average Length of Service, Average Age, and Educational Distribution Ratio of Employees in the Past Two Years and as of the Date of Publication of the Annual Report:

Unit: Person

Year		Dec. 31, 2021	Dec. 31, 2022	Apr. 17, 2023
Number of employees		214	189	186
Average age		40.6	41.1	41.5
Average length of service		8.9	8.7	8.7
Education distribution	Doctor	5%	5%	5%
	Master	12%	14%	16%
	Junior college/Bachelor	53%	52%	51%
	Senior high school	30%	29%	28%
	Under senior high school	0%	0	0

4. Environmental expenditure information

In the most recent fiscal year and up to the printing of this annual report, there have been no losses incurred due to environmental pollution, including compensation and violations of environmental protection regulations. Any violations of environmental regulations, including the date of the violation, violation code, violated regulations, violation details, and the nature of the penalties, should be disclosed. Additionally, an estimate of the current and potential future financial impact and corresponding measures will be provided. If it is not reasonably estimable, the reasons for the inability to provide an estimate explained:

In the most recent fiscal year and up to the date of the annual report printing, there have been no losses incurred due to environmental pollution or violations of environmental protection regulations.

- (1) The company is committed to ongoing environmental management and pollution control efforts in various aspects, such as water resource treatment, air quality control, and waste management. For any abnormal exceedance or non-compliance, prompt actions are taken to address the situation.
- (2) Future Response Measures: The company will adhere to the regulations implemented by the

Environmental Protection Agency. We will fully cooperate with the Environmental Protection Agency and county environmental bureaus in terms of education and training. We will regularly send our personnel for training as needed and actively promote activities aimed at reducing pollution and waste. Our goal is to minimize the generation of pollutants and alleviate the environmental burden.

(3) Sustainable Development of the Environment

Establishment of Environmental Management Units or Personnel

The company has established environmental management units and designated personnel in accordance with relevant laws and regulations. In addition to general pollution control equipment operators, there are personnel holding professional qualifications in environmental protection. The statistical data is as follows:

Environmental management professionals	Wastewater treatment specialists		Air pollution control specialists		Waste disposal and treatment specialists		Toxic chemical substance specialists		Health risk assessment specialists	Professional emergency response personnel	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Technical level	Expert level
Number of certificate holders	3	3	4	0	2	1	3	1	3	3	1

The main hazardous equipment includes raw material storage tanks, reactors, alkaline washing equipment, boilers, main material recovery systems, nitrogen equipment, etc. There are a total of 80 safety inspections conducted annually, with a target completion rate of 100% in 2022. The statistics for the number of certified hazardous equipment operators are as follows:

Equipment Name	Number of Equipment	Number of Licensed Operators
Boilers	2	8
Type 1 pressure vessels	9	31
High-pressure gas specific equipment	69	95

(4) Situation the company obtained environmental management certification

The company has obtained ISO 14001 environmental management system certification (valid from August 26, 2021, to August 25, 2024; certification period from July 22, 2021, to July 23, 2022). The system is regularly audited by external verification bodies such as BVC and the Bureau of Standards, Metrology, and Inspection of the Ministry of Economic Affairs. Internal audits and external audits are conducted regularly to maintain the effectiveness of the system and continuously improve environmental protection performance. Relevant valid certificates of the system are kept in each production unit.

In addition to the ISO 14001 environmental management system, we also participate in a product and raw material environmental certification system, working together with upstream suppliers and downstream consumers to contribute to environmental protection.

5. Labor relations

(1) Employee welfare measures, further education, training, retirement system, and their implementation, as well as agreements between labor and management and measures to protect employee rights.

(1) Employee welfare measures and their implementation

- Comprehensive coverage of employer's compensation liability insurance and group accident insurance to enhance the protection of employees' lives.
- To strengthen the livelihood security of employees' families, appropriate assistance and consolation are provided.
- Continuously improving the environment and facilities of the employee cafeteria to enhance the quality of meals for colleagues.
- Organizing monthly birthday celebrations and employee trips to improve the quality of leisure life and promote camaraderie among colleagues.
- Regularly conducting employee health check-ups.

(2) Employee Continuing Education and Training:

To cultivate employees' moral character, enhance their qualities, professional abilities, and work efficiency, in addition to providing pre-employment training courses and organizing various educational trainings for new employees, professional technical training is also conducted based on different job functions and business needs to enhance their academic and technical skills in their respective positions, facilitating the accomplishment of their tasks.

(3) Retirement system and implementation status

The company has established a retirement scheme in accordance with the provisions of the Labor Standards Act for formally employed employees. It has also formed a Labor Retirement Preparation Fund Supervisory Committee as required and makes monthly contributions to the retirement fund. The contributions are made in the name of the committee and deposited into a designated account at the Bank of Taiwan, which is supervised and managed by the committee. In compliance with the implementation of the Labor Retirement Pension Act, monthly contributions are made to the individual retirement pension accounts at the Labor Insurance Bureau for both existing employees who choose the new system and new employees covered by the new system, in accordance with the law.

(4) Agreements between labor and management and situational measures to safeguard employee rights:

- Establishment of a dedicated unit: Our company established a dedicated safety and health unit to actively promote related tasks.
- Promote safe operations: Strengthen the safety management capabilities of all levels of supervisors, gradually establish a shared safety values and standards among all employees, and foster a consensus for promoting safe operations.
- Standardization of operations: Develop standardized operating procedures and conduct job safety analyses for various operations, aim to achieve comprehensive standardization and safety in the workplace.
- Employee health management: Implement employee health check-ups according to regulations, with examination items surpassing the requirements of labor health protection rules.
- Personnel safety training: All personnel must receive safety training upon recruitment or job transfer. Each department also conducts periodic on-the-job safety training and promotional courses for employees to enhance overall safety awareness.
- Accident reporting and investigation: In the event of a major occupational accident, it

is required to report to the competent authority within eight hours. An accident investigation and improvement plan will be conducted in collaboration with labor representatives. The case will be announced to employees to prevent similar accidents from occurring.

- Accident reporting and investigation: In the event of an occupational accident, it is required to report to the relevant authorities within twenty-four hours and initiate a cause investigation and improvement plan. The case will be announced to employees to prevent the recurrence of similar incidents.
- Work safety review and disaster drills: In addition to conducting regular disaster drills and quarterly work safety review meetings, we also enhance equipment safety inspections and actively improve the working environment and safety protection facilities.
- Other:

Each department regularly holds staff meetings or labor-management meetings to facilitate communication between supervisors and employees, ensuring smooth channels of communication between labor and management. This allows employees to have their difficulties, needs, and issues acknowledged and properly addressed by supervisors at all levels.

(2) In the past two fiscal years and up to the printing of the annual report, losses due to labor disputes (including violations of labor standards by labor inspections, which should specify the date of penalty, violation number, violated legal provisions, content of violation, and penalty details). The estimated amounts and corresponding measures to address the current and potential future losses are disclosed as follows:

(1) Labor Disputes: None.

(2) Incurred Loss Amount: None.

(3) Estimated Future Potential Loss Amount: None.

(4) Mitigation Measures: Our company values employee welfare, and our labor-management relations have remained harmonious and stable over the years. Therefore, no labor disputes have occurred. In the future, we will continue to uphold our principles to ensure a solid and harmonious labor-management relationship that benefits both parties mutually.

6. Information Security

With the rapid advancement of IT technology and increase use of the internet, both businesses and individuals face severe information security risks and challenges. For our company, managing information security requires a comprehensive approach that encompasses both hardware and software aspects. Ensuring the security of our equipment, technology (hardware), and promoting cybersecurity awareness among our personnel (software) are all crucial. Through dedicated information security management platforms and teams, we strive to effectively utilize resources and centrally manage, upgrade, and update our existing information security network devices and mechanisms. Our company is committed to staying up-to-date with the latest protection measures and practices in information security. Additionally, we continuously work on enhancing our employees' awareness of information security risks to strengthen our defense lines. The following are further details of our efforts:

A. Information Security Risk Management Framework

The core focus of our company's information security risk strategy lies in the use of technology

and governance. Information security risk management is achieved through a dedicated information management and technical service platform to ensure clear delineation of professional responsibilities, adequate technical support, and well-defined control mechanisms. Our information personnel, consisting of three individuals under the Project Execution Department, are provided appropriate human, material, and financial resources. We have designated qualified personnel as the security manager and security officers responsible for promoting, coordinating, supervising, and reviewing information security management matters. Our company is also insured. We conduct regular and ad-hoc reviews of our information security policies and objectives, and we have presented specific implementation management plans. On February 21, 2023, we reported the relevant results to the board of directors.

B. Information Security Policy and Specific Management Plan

The company focuses on the use of technology and information security governance. Through the coordination and balance between people and machines, software and hardware to establish an information security management network. This is achieved through firewall deployment, information data center management, user security management, and plant security management, in accordance with established policies. Regular assessments are conducted to review plant security issues, trends, and enhancement measures. Education and training programs are implemented to optimize internal staff's awareness of information security environment maintenance and risk management.

The company evaluates and screens potential risks based on industry characteristics and makes corresponding plans as needed. External consultants may be engaged when necessary to stay up-to-date with various IT requirements. Additionally, periodic inspections and guidance on security mechanisms are conducted at production sites to establish comprehensive security defense capabilities and foster a strong sense of information security among employees. The company's auditing department regularly conducts audits of information security-related work to ensure the completeness of security systems and the implementation of relevant policies. The audit results are reported to the board of directors in accordance with legal requirements.

In the Internet era, no individual or company is exempt from the cybersecurity threats that are ever present. In addition to diligently adhering to relevant government cybersecurity policies and corresponding internal regulations, our company fulfills its responsibilities by implementing daily cybersecurity management practices. As a result, we have minimized operational risks in the IT domain.

- C. Indicate the losses incurred and potential impacts resulting from significant information security incidents during the latest fiscal year up to date of annual report's publication, as well as the corresponding response measures. If unable to reasonably estimate, explain reasons:**
None.

7. Important Contracts

As of publication date of the annual report, the supply and marketing contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and other important contracts that are sufficient to affect shareholders' rights and interests are still valid and expired in the most recent year:

Nature of the contracts	Parties involved	Contract start and end dates	Main contents	Limitation clauses
Loan agreement	Bank of Taiwan	2023.2-2024.2	Short-term revolving loan / Domestic letter of credit / Import financing / Credit limit for hedging derivative financial instruments	Restrictions on loan usage
Loan agreement	Mega Bank	2022.8-2023.8	Short-term working capital loan / Short-term purchase loan / Short-term export loan	Restrictions on loan usage
Loan agreement	Yuanta Bank	2022.9-2023.9	Comprehensive Credit Limit	Restrictions on loan usage
Supply Contract	A Company	2023.1-2023.12	Purchase of butadiene	Non-transferable to others
Supply Contract	D Company	2023.1-2023.12	Purchase of butadiene	For production use
Supply Contract	E Company	2023.1-2024.12	Purchase of acrylonitrile.	For personal use only, resale is prohibited.
Supply Contract	B Company	2023.1-2025.12	Purchase of styrene	-
Supply Contract	LienHwa Gas	2013.6-2023.5	Purchase of liquid gases	During contract period, not permitted to purchase from other suppliers
Lease Agreement	RNS Asset Management Co.	2021.12-2024.11	Kaohsiung Office Lease Agreement	Limited to office use

VI. Financial Status

1. Condensed balance sheet and statement of comprehensive income for the most recent 5 years

(1) Condensed balance sheet and statement of comprehensive income -consolidated

1. Condensed balance sheet (IFRSs):

Unit: NT\$1,000

Item		Financial Information for the most recent 5 years					Financial information as of Apr. 17, 2023(Note 4)
		2018 (Note 1 & 3)	2019 (Note 1 & 3)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Current assets		1,670,364	1,830,555	3,672,254	5,723,330	2,792,256	As of Apr. 17, 2023, the date of publication of the annual report, the most recent financial information that has been audited or reviewed by the CPAs is the financial information for 2022, so it is the same as the financial information for 2022 listed on the left.
Property, plant and equipment		1,679,731	1,789,532	1,754,634	2,530,865	2,515,707	
Intangible assets		-	-	-	-	-	
Other assets		374,212	500,405	538,030	477,415	1,172,655	
Total assets		3,724,307	4,120,492	5,964,918	8,731,610	6,480,618	
Current liabilities	Before distribution	440,469	560,346	1,114,904	1,362,482	516,194	
	After distribution(Note 2)	817,274	1,032,320	2,176,645	2,955,094	675,455	
Non-current liabilities		1,167	6,895	5,984	6,112	7,757	
Total liabilities	Before distribution	441,636	567,241	1,120,888	1,368,594	523,951	
	After distribution(Note 2)	818,441	1,039,215	2,182,629	2,961,206	683,212	
Equity attributable to owners of the parent		3,282,671	3,553,251	4,844,030	7,363,016	5,956,667	
Capital stock		1,046,681	1,048,831	1,061,241	1,061,741	1,061,741	
Capital reserve		694,156	727,903	748,849	749,234	749,234	
Retained earnings	Before distribution	1,507,367	1,654,765	2,956,502	5,370,056	3,962,494	
	After distribution(Note 2)	1,130,562	1,182,791	1,894,761	3,777,444	3,803,233	
Other equity		34,467	121,752	77,438	181,985	183,198	
Treasury share		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	Before distribution	3,282,671	3,553,251	4,844,030	7,363,016	5,956,667	
	After distribution(Note 2)	2,905,866	3,081,277	3,782,289	5,770,404	5,797,406	

Note 1: Financial information is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited by certified accountants.

Note 2: The figures after distribution are based on resolutions approved by the Board of Directors or the shareholders' meeting of the subsequent year.

Note 3: There are no subsidiary companies included in the consolidated financial statements.

Note 4: Prior to the printing of the annual report, if there are financial statements that have been audited or reviewed by certified accountants for companies whose shares are listed or traded at securities firms, they should be disclosed.

2. Information on condensed balance sheet (IFRSs)

Unit: NT\$1,000

Item	Financial Information for the most recent 5 years					Financial information as of Apr. 17, 2023 (Note 3)
	2018 (Note 1 & 2)	2019 (Note 1 & 2)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Operating revenue	3,690,565	3,271,203	5,268,419	8,161,714	1,702,563	As of Apr. 17, 2023, the date of publication of the annual report, the most recent financial information that has been audited or reviewed by the CPAs is the financial information for 2022, so it is the same as the financial information for 2022 listed on the left.
Gross operating profit	810,518	922,593	2,663,942	4,925,151	429,387	
Operating profit or loss	495,587	624,790	2,201,860	4,366,172	198,703	
Non-operating revenue and expense	32,863	23,205	3,718	(6,979)	91,001	
Net profit before tax	528,450	647,995	2,205,578	4,359,193	289,704	
Net profit of continued operations for the period	426,961	525,375	1,777,831	3,476,386	174,993	
Loss of discontinued operations	-	-	-	-	-	
Not profit for the period	426,961	525,375	1,777,831	3,476,386	174,993	
Other comprehensive income for the period (net after tax)	6,014	86,113	(48,434)	103,456	11,270	
Total comprehensive income for the period	432,975	611,488	1,729,397	3,579,842	186,263	
Net profit attributable to owners of parent	426,961	525,375	1,777,831	3,476,386	174,993	
Net profit attributable to non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to owners of parent	432,975	611,488	1,729,397	3,579,842	186,263	
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share (NT\$)	4.08	5.01	16.85	32.74	1.65	

Note 1: The financial information is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited and certified by a CPA.

Note 2: There are no subsidiary companies included in the consolidated financial statements.

Note 3: As of the date of printing of the annual report, if there are any companies listed or whose stocks are traded at securities firms, the most recent audited or reviewed financial information by a CPA should be disclosed.

(1) Condensed balance sheet and statement of comprehensive income -parent company only

1. Condensed balance sheet (IFRSs):

Unit: NT\$1,000

Item		Financial Information for the most recent 5 years				
		2018 (Note 1)	2019 (Note 1)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)
Current assets		1,670,364	1,830,555	3,658,471	5,701,032	2,776,841
Property, plant and equipment		1,679,731	1,789,532	1,754,634	2,530,865	2,515,707
Intangible assets		-	-	-	-	-
Other assets		374,212	500,405	547,125	487,157	1,182,903
Total assets		3,724,307	4,120,492	5,960,230	8,719,054	6,475,451
Current liabilities	Before distribution	440,469	560,346	1,110,216	1,349,926	511,261
	After distribution(Note 2)	817,274	1,032,320	2,171,957	2,942,538	670,522
Non-current liabilities		1,167	6,895	5,984	6,112	7,523
Total liabilities	Before distribution	441,636	567,241	1,116,200	1,356,038	518,784
	After distribution(Note 2)	818,441	1,039,215	2,177,941	2,948,650	678,045
Equity attributable to owners of the parent		3,282,671	3,553,251	4,844,030	7,363,016	5,956,667
Capital stock		1,046,681	1,048,831	1,061,241	1,061,741	1,061,741
Capital reserve		694,156	727,903	748,849	749,234	749,234
Retained earnings	Before distribution	1,507,367	1,654,765	2,956,502	5,370,056	3,962,494
	After distribution(Note 2)	1,130,562	1,182,791	1,894,761	3,777,444	3,803,233
Other equity		34,467	121,752	77,438	181,985	183,198
Treasury share		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	3,282,671	3,553,251	4,844,030	7,363,016	5,956,667
	After distribution(Note 2)	2,905,866	3,081,277	3,782,289	5,770,404	5,797,406

Note 1: The financial information is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited and certified by a CPA.

Note 2: The figures presented after distribution are based on resolutions passed by the Board of Directors or the subsequent year's shareholders' meeting.

2. Information on condensed statement of comprehensive income (IFRSs)

Unit: NT\$1,000

Item	Financial Information for the most recent 5 years				
	2018 (note)	2019 (note)	2020 (note)	2021 (note)	2022 (note)
Operating revenue	3,690,565	3,271,203	5,268,419	8,161,714	1,702,563
Gross operating profit	810,518	922,593	2,663,942	4,925,151	1,273,176
Operating profit or loss	495,587	624,790	2,202,655	4,364,861	429,387
Non-operating revenue and expense	32,863	23,205	3,251	(6,234)	90,939
Net profit before tax	528,450	647,995	2,205,906	4,358,627	289,622
Net profit of continued operations for the period	426,961	525,375	1,777,831	3,476,386	174,993
Loss of discontinued operations	-	-	-	-	-
Net profit for the period	426,961	525,375	1,777,831	3,476,386	174,993
Other comprehensive income for the period (net after tax)	6,014	86,113	(48,434)	103,456	11,270
Total comprehensive income for the period	432,975	611,488	1,729,397	3,579,842	186,263
Net profit attributable to owners of parent	426,961	525,375	1,777,831	3,476,386	174,993
Net profit attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to owners of parent	432,975	611,488	1,729,397	3,579,842	186,263
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share (NT\$)	4.08	5.01	16.85	32.74	1.65

Note: The financial information is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited and certified by a CPA.

(3) The names of CPAs in the most recent five years and their audit opinions

Year	CPAs	Name of accounting firm	Audit opinions
2018	LIU, YU-HSIANG, KUO, LI-YUAN	Deloitte	Unqualified opinion
2019	KUO, LI-YUAN, LIU, YU-HSIANG	Deloitte	Unqualified opinion
2020	KUO, LI-YUAN, LIU, YU-HSIANG	Deloitte	Unqualified opinion
2021	LIU, YU-HSIANG, KUO, LI-YUAN	Deloitte	Unqualified opinion
2022	LIU, YU-HSIANG, KUO, LI-YUAN	Deloitte	Unqualified opinion

2. Financial analysis for the most recent 5 years -IFRSs

(1) Financial analysis-consolidated

Analysis item (Note 3)		Financial analysis for the most recent 5 years					Financial information as of Apr. 17, 2023 (Note 4)
		2018 (Note 1 & 2)	2019 (Note 1 & 2)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)	
Financial structure	Debt to assets ratio (%)	11.86	13.77	18.79	15.67	8.08	As of Apr. 17, 2023, the date of publication of the annual report, the most recent financial information that has been audited or reviewed by the CPAs is the financial information for 2022, so it is the same as the financial information for 2022 listed on the left.
	Ratio of long-term capital to property, plant and equipment (%)	195.50	198.94	276.41	291.17	237.09	
Solvency	Current ratio (%)	379.22	326.68	329.38	420.07	540.93	
	Quick ratio (%)	272.44	252.18	295.31	383.85	483.86	
	Times interest earned	974.20	1,145.87	3,628.60	6,717.78	973.16	
Operating performance	Accounts receivable turnover (times)	9.76	9.58	19.07	35.54	8.26	
	Average collection days	37	38	19	10	44	
	Inventory turnover (times)	8.12	5.94	7.68	8.61	3.67	
	Accounts payable turnover (times)	13.52	9.23	7.90	11.50	10.86	
	Average days in sales	45	61	48	42	99	
	Property, plant and equipment turnover (times)	2.31	1.89	2.97	3.81	0.67	
	Total asset turnover (times)	1.02	0.83	1.04	1.11	0.22	
Profitability	Return on assets(%)	11.79	13.41	35.27	47.32	2.30	
	Return on equity(%)	13.33	15.37	42.34	56.96	2.63	
	Ratio of net profit before tax to paid-in capital(%)	50.49	61.78	207.83	410.57	18.71	
	Net profit margin(%)	11.57	16.06	33.75	42.59	10.28	
	Earnings per share (NT\$)	4.08	5.01	16.85	32.74	1.65	
Cash flow	Cash flow ratio (%)	104.64	166.73	232.53	280.63	(56.58)	
	Cash flow adequacy ratio (%)	103.65	112.43	150.41	176.35	128.89	
	Cash reinvestment ratio (%)	2.27	12.06	35.07	31.74	(18.21)	
Leverage	Operating leverage	1.26	1.20	1.07	1.03	1.76	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Please provide the financial ratios for the past two years and indicate the reasons for any significant changes.

1. Debt-to-Asset Ratio, Current Ratio, and Quick Ratio changes: Decreased market demand due to the impact of the pandemic in the current year compared to the previous year, resulting in reduced profitability and a decrease in financial assets - current and accounts payable.
2. Reason for the changes in Times interest earned: Decrease in profitability and pre-tax income in the current year compared to the previous year.
3. Reason for the changes in Accounts Receivable Turnover, Average Collection Period, and Average Sales Days: Decrease in net sales in the current year, resulting in a slower collection of accounts receivable.
4. Reason for the changes in Inventory Turnover: Decrease in market demand due to the impact of the pandemic in the current year. The decrease in operating revenue has resulted in a larger decrease in the cost of goods sold compared to the average inventory level.
5. Reason for the changes in Property, plant and equipment Turnover, Total Asset Turnover, and Profitability: Decreased market demand, due to the pandemic, in the current year compared to the previous year, resulting in a decrease in net sales.
6. The change in the Cash Flow Ratio: Decreased profitability in the current year, resulting in negative net cash flow from operating activities.
7. The change in Operating Leverage: Decrease in operating income in the current year.

Note 1: The financial data is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited and certified by CPAs.

Note 2: There are no subsidiary companies included in the consolidated financial statements.

Note 3: For companies listed or whose shares are traded at securities firms as of the printing date of the annual report, recent financial data audited or reviewed by CPAs should be analyzed.

Note 4: The calculation formulas are as follows:

1. Financial structure

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

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

2. Solvency

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

(2) Quick ratio = $(\text{Current assets} - \text{inventory} - \text{prepaid expenses}) / \text{Current liabilities}$

(3) Times interest earned = $\text{net earnings before income tax and interest expenses} / \text{interest expenses for this period}$

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from operating activities) turnover = $\text{net sales} / \text{average accounts receivable balance (including accounts receivable and notes receivable arising from operating activities)}$

(2) Average collection days = $365 / \text{accounts receivable turnover}$

(3) Inventory turnover = $\text{cost of goods sold} / \text{average inventory}$

(4) Accounts payable (including accounts payable and notes payable arising from operating activities) turnover = $\text{cost of goods sold} / \text{average accounts payable balance (including accounts payable and notes payable arising from operating activities)}$

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

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

(7) Total asset turnover = $\text{net sales} / \text{average total assets}$

4. Profitability

(1) Return on assets = $[\text{profit or loss after tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$

(2) Return on equity = $\text{profit or loss after tax} / \text{average total equity}$

(3) Net profit margin = $\text{profit or loss after tax} / \text{net sales}$

(4) Earnings per share = $(\text{profit or loss attributable to owners of parent} - \text{preferred stock dividends}) / \text{weighted average number of shares outstanding}$

5. Cash flow

(1) Cash flow ratio = $\text{net cash flows from operating activities} / \text{Current liabilities}$

(2) Net cash flow adequacy ratio = $5\text{-year sum of net cash flow from operating activities} / 5\text{-year sum of (capital expenditures} + \text{increases in inventory} + \text{cash dividends})$

(3) Cash reinvestment ratio = $(\text{net cash flows from operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

(1) Operating leverage = $(\text{Net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$

(2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expense})$

(2) Financial analysis -parent company only

Analysis item (Note 3)		Financial analysis for the most recent 5 years				
		2018 (Note 1 & 2)	2019 (Note 1 & 2)	2020 (Note 1)	2021 (Note 1)	2022 (Note 1)
Financial structure	Debt to assets ratio (%)	11.86	13.77	18.73	15.55	8.01
	Ratio of long-term capital to property, plant and equipment (%)	195.50	198.94	276.41	291.17	237.08
Solvency	Current ratio (%)	379.22	326.68	329.53	422.32	543.14
	Quick ratio (%)	272.44	252.18	295.36	385.77	485.52
	Times interest earned	974.20	1,145.87	3,629.13	6,952.56	1,010.14
Operating performance	Accounts receivable turnover (times)	9.76	9.58	19.07	35.54	8.26
	Average collection days	37	38	19	10	44
	Inventory turnover (times)	8.12	5.94	7.68	8.61	3.67
	Accounts payable turnover (times)	13.52	9.23	7.90	11.50	10.86
	Average days in sales	45	61	48	42	99
	Property, plant and equipment turnover (times)	2.31	1.89	2.97	3.81	0.67
	Total asset turnover (times)	1.02	0.83	1.05	1.11	0.22
Profitability	Return on assets(%)	11.79	13.41	35.28	47.37	2.31
	Return on equity(%)	13.33	15.37	42.34	56.96	2.63
	Ratio of net profit before tax to paid-in capital(%)	50.49	61.78	207.55	410.52	18.71
	Net profit margin(%)	11.57	16.06	33.75	42.59	10.28
	Earnings per share (NT\$)	4.08	5.01	16.85	32.74	1.65
Cash flow	Cash flow ratio (%)	104.64	166.73	232.20	282.52	(55.63)
	Cash flow adequacy ratio (%)	103.65	112.43	150.30	176.06	128.80
	Cash reinvestment ratio (%)	2.27	12.06	35.01	31.63	(18.11)
Leverage	Operating leverage	1.26	1.20	1.07	1.03	1.75
	Financial leverage	1.00	1.00	1.00	1.00	1.00
Please explain the reasons for the changes in various financial ratios over the past two years: (Analysis may be omitted if the changes do not exceed 20%)						
<ol style="list-style-type: none"> Debt-to-Asset Ratio, Current Ratio, and Quick Ratio changes: Decreased market demand due to the impact of the pandemic in the current year, resulting in reduced profitability. This, in turn, led to a decrease in financial assets - current and accounts payable. Times interest earned changes: Decreased profitability in the current year, leading to a reduction in profit before tax. Accounts Receivable Turnover Ratio, Average Collection Period, and Average Sales Days changes: Decrease in net sales in the current year, resulting in a slower collection of accounts receivable. Inventory Turnover Ratio changes: Sluggish market demand due to the pandemic in the current year, resulting in a larger decrease in cost of goods sold from operating revenue compared to the average inventory level. Property, Plant and Equipment Turnover Ratio, Return on Total Assets, and Profitability changes: Sluggish pandemic market demand in the current year compared to the previous year, resulting in a decrease in net sales. Cash Flow Ratio changes: Decrease in profitability in the current year, leading to negative net cash flow from operating activities. Operating leverage changes: Decrease in operating profit in the current year. 						

Note 1: The financial data is prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and has been audited and certified by a CPA.

Note 2: There are no subsidiary companies included in the consolidated financial statements.

Note 3: Formulas for the calculation:

1. Financial structure

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

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

2. Solvency

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

(2) Quick ratio = $(\text{Current assets} - \text{inventory} - \text{prepaid expenses}) / \text{Current liabilities}$

(3) Times interest earned = $\text{net earnings before income tax and interest expenses} / \text{interest expenses for this period}$

3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from operating activities) turnover = $\text{net sales} / \text{average accounts receivable balance (including accounts receivable and notes receivable arising from operating activities)}$

(2) Average collection days = $365 / \text{accounts receivable turnover}$

(3) Inventory turnover = $\text{cost of goods sold} / \text{average inventory}$

(4) Accounts payable (including accounts payable and notes payable arising from operating activities) turnover = $\text{cost of goods sold} / \text{average accounts payable balance (including accounts payable and notes payable arising from operating activities)}$

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

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

(7) Total asset turnover = $\text{net sales} / \text{average total assets}$

4. Profitability

(1) Return on assets = $[\text{profit or loss after tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$

(2) Return on equity = $\text{profit or loss after tax} / \text{average total equity}$

(3) Net profit margin = $\text{profit or loss after tax} / \text{net sales}$

(4) Earnings per share = $(\text{profit or loss attributable to owners of parent} - \text{preferred stock dividends}) / \text{weighted average number of shares outstanding}$

5. Cash flow

(1) Cash flow ratio = $\text{net cash flows from operating activities} / \text{Current liabilities}$

(2) Net cash flow adequacy ratio = $5\text{-year sum of net cash flow from operating activities} / 5\text{-year sum of (capital expenditures} + \text{increases in inventory} + \text{cash dividends})$

(3) Cash reinvestment ratio = $(\text{net cash flows from operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

(1) Operating leverage = $(\text{Net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$

(2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expense})$

申豐特用應材股份有限公司 審計委員會審查報告書

本公司民國一百一十一年營業報告書、財務報表、盈餘分配議案暨會計師查核之財務報告等，經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百一十九條之規定報請鑒察。

此 上

本公司一一二年度股東常會

審計委員會召集人：顏 盟 峯



中 華 民 國 一 一 二 年 二 月 二 十 一 日

4. Latest Annual Financial Report, Including the Auditor's Report, Comparative Balance Sheets, Comprehensive Income Statements, Statement of Changes in Equity, Cash Flow Statements, and Notes or Schedules, are as follows:
 1. 2022 Financial Statements and Auditor's Report: Please refer to Appendix 1.
 2. 2022 Consolidated Financial Statements and Auditor's Report: Please refer to Appendix 2.
5. Latest Parent-company-only Financial Statements Audited and Certified by Certified Public Accountants, Excluding the Detailed Statement of Significant Accounting Items. Please refer to Appendix 3.
6. For the Company and its Affiliated Companies, any Financial Difficulties Encountered in the Latest Fiscal Year or as of the Date of Publication of the Annual Report and Their Impact on the Company's financial Condition: None.

VII. Review and Analysis of Financial Condition and Operating Results, and Risk Management

1. Financial Condition: Reasons and impact for significant changes in assets, liabilities, and equity over the past two years. Significant impact, future mitigation plans should be provided.

Financial Condition Comparative Analysis Statement

Unit: NT\$1,000

Item	2022	2021	Difference	
			Amount	%
Current assets	2,792,256	5,723,330	(2,931,074)	(51)
Non-current assets	3,688,362	3,008,280	680,082	23
Total assets	6,480,618	8,731,610	(2,250,992)	(26)
Current liabilities	516,194	1,362,482	(846,288)	(62)
Non-current liabilities	7,757	6,112	1,645	27
Total liabilities	523,951	1,368,594	(844,643)	(62)
Capital stock	1,061,741	1,061,741	0	0
Capital reserve	749,234	749,234	0	0
Retained earnings	3,962,494	5,370,056	(1,407,562)	(26)
Other equity	183,198	181,985	1,213	1
Total equity	5,956,667	7,363,016	(1,406,349)	(19)
<p>Explanation of the changes:</p> <p>1. Current assets: Mainly due to Cash dividends paid and Income taxes paid.</p> <p>2. Non-current assets : Increase in Financial assets at fair value through other comprehensive income -non-current this year.</p> <p>3. Current liabilities: Decrease in operating income in the current year, Decrease in estimated income tax liabilities for the current period.</p> <p>4. Retained earnings: Mainly due to Cash dividends paid and the decreased profitability in the current year.</p>				

2. Financial Performance: The main reasons for significant changes in operating revenue, net operating income, and net profit before tax in the past two years are as follows:

(1) Comparative Analysis of Operating Results

Unit: NT\$1,000

項目	2022	2021	Difference Amount	Difference (%)
NET OPERATING REVENUE	1,702,563	8,161,714	(6,459,151)	(79)
OPERATING COSTS	1,273,176	3,236,563	(1,963,387)	(61)
GROSS PROFIT FROM OPERATIONS	429,387	4,925,151	(4,495,764)	(91)
OPERATING EXPENSES	230,684	558,979	(328,295)	(59)
PROFIT FROM OPERATIONS	198,703	4,366,172	(4,167,469)	(95)
NON-OPERATING INCOME AND EXPENSES	91,001	-6,979	97,980	(1,404)
PROFIT BEFORE INCOME TAX	289,704	4,359,193	(4,069,489)	(93)
INCOME TAX	114,711	882,807	(768,096)	(87)
NET PROFIT FOR THE YEAR	174,993	3,476,386	(3,301,393)	(95)
<p>Explanation of the changes:</p> <p>1. Decrease in net operating revenue and gross profit from operations : Mainly due to high inventory levels in downstream and terminal markets, slowing market demand, and decline in sales and selling prices.</p> <p>2. Decrease in operating costs : Mainly due to decrease in net sales in the current year.</p> <p>3. Decrease in operating expenses : Mainly due to decrease in net sales in the current year.</p> <p>4. Increase in non-operating income and expenses: Mainly due to the increase in Foreign exchange gain.</p> <p>5. Decrease in profit before income tax, income tax and net profit for the year : Mainly due to the decreased profitability in the current year.</p>				

(2) Expected sales quantity and its basis, possible impact on the company's future financial operations, and corresponding plans

- Expected sales quantity and its basis: The Company has not prepared any financial forecasts.
- Possible impact on the company's future financial operations and corresponding plans: None

3. Cash Flow:

(1) Explanation of the changes in cash flow for the most recent year

Unit: NT\$1,000

Item	2022	2021	Percentage of increase (decrease) (%)
Cash flow ratio (%)	(56.58)	280.63	(120)
Cash flow adequacy ratio (%)	128.89	176.35	(27)
Cash reinvestment ratio (%)	(18.21)	31.74	(157)
Explanation of the changes: Reasons for the changes in cash flow ratio: The primary reason for the decrease in the cash flow ratio is the decline in profitability during the current year, which resulted in a reduction in cash inflows from operating activities, leading to a decrease in the cash flow ratio.			

(2) Improvement Plan for Insufficient Liquidity: The Company has ample funds and does not have any issues with insufficient liquidity.

(3) Analysis of Cash Liquidity for the Next Year:

Cash Flow Analysis for 2023:

1. It is anticipated that the majority of the cash inflows for the year will be generated from business operating activities.
2. The projected cash outflows for the year will primarily consist of raw material purchases, expenses, capital expenditures, and the distribution of cash dividends and investment in financial assets.

The Company currently has sufficient working capital, and the bank financing facilities are still available. Overall, it is anticipated that the cash liquidity will be favorable for the next year, and there are no anticipated cash shortages.

4. Impact of Significant Capital Expenditure on Financial Operations in the Recent Year:

The Company's working capital, short-term investments, and borrowing facilities provided by banks are sufficient to cover the significant capital expenditure in the recent year. Therefore, the significant capital expenditure in the recent year has not had a significant impact on the financial operations.

5. Recent Year's Re-investment Policy, Main Reasons for Profit or Loss, Improvement Plan, and Future Year's Investment Plan: None

6. Risk analysis and evaluation of the following matters for the most recent year and up to the date of publication of the annual report:

(1) Impact of Interest Rate Changes, Exchange Rate Fluctuations, and Inflation on Company's Profit and Loss, and Future Countermeasures

(1) Interest Rate Changes:

The Company's net interest income (expense) for 2022 amounted to NT\$27,447,000, accounting for 1.6% of the revenue. Therefore, overall, interest rate changes have no significant impact on the Company's profitability. However, the Company continues to actively establish and maintain good relationships with banks. In the future, as the Company's operations expand and there is a need for funds, favorable interest rate conditions can be obtained, minimizing the impact of interest rates on the Company.

(2) Exchange Rate Fluctuations:

The Company engages in sales and purchases transactions and fulfills capital expenditure activities denominated in non-functional currencies, resulting in exchange rate exposure. The net exchange gain for 2022 amounted to NT\$29,002,000, accounting for 1.7% of the operating revenue. The Company mitigates foreign currency assets or liabilities' exchange rate risk by engaging in forward foreign exchange contract transactions. The use of such derivative financial instruments helps to reduce the impact caused by foreign currency exchange rate fluctuations. Additionally, the Company actively collects information on exchange rate fluctuations, monitors exchange rate trends, and assesses exchange rate movements to minimize adverse effects on the Company's profit and loss. This enables effective management of risks associated with exchange rate volatility.

(3) Inflation

The Company's customer pricing is adjusted flexibly based on the market volatility of raw material prices, which does not result in significant impact. Therefore, inflation does not have a noticeable effect on the Company's profit and loss.

(2) Policies, Main Reasons for Profit or Loss, and Future Countermeasures Regarding High-risk, High-leverage Investments, Lending Funds to Others, Endorsements/Guarantees, and Derivative Trading:

- (1) Based on a prudent and steady business philosophy, the Company does not engage in high-risk and high-leverage investments. Short-term idle funds are primarily invested in money market funds and deposits with a maturity of three months or more. Long-term idle funds are mainly invested in industry-related or dominant investments.
- (2) The Company has established management procedures such as the "Operational Procedures for Lending Funds to Others", "Operational Procedures for Endorsement and Guarantee", and "Procedures for Financial Derivatives Transactions" as guidelines for carrying out the aforementioned operations. These procedures are in place to manage the risks associated with the Company's operations.

(3) Future R&D Plans and Expected R&D Expenditures:

Regarding the NBR, we will continue to optimize our processes to enhance quality. Additionally, we are actively engaging in strategic alliances with customers for close technical collaboration and development of specific new products. Furthermore, we will gradually enhance the development of high-value-added products, such as niche latex products for medical and special applications. As for the SBR, we will actively explore the development of new products for export markets, particularly focusing on the utilization of environmentally friendly materials for applications such as low-temperature formaldehyde-free wood adhesives, specialty paper markets, and other feasible applications. We have also ventured into the field of bio-based materials, incorporating bio-based materials into latex for applications in the paper, textile, and composite materials markets, diversifying our product offerings.

(4) The Impact of Significant Policy and Legal Changes Domestically and Internationally on the Company's Financial Operations and the Countermeasures:

In addition to complying with relevant domestic and international laws and regulations, the Company also closely monitors the development trends of domestic and international policies and regulatory changes. We consult with relevant professionals to promptly take appropriate measures. Based on an overview of the past few years, the Company has not been significantly affected by significant domestic or international policy and legal changes

in terms of financial and business matters. Therefore, we anticipate that the Company should not be significantly and adversely affected by any major changes in domestic or international policies and regulations in the future.

(5) The Impact of Technological Changes (Including Information Security Risks) and Industry Transformations on the Company's Financial Operations and the Countermeasures:

The Company is committed to innovation and R&D to stay at the forefront of industry trends and pursue sustainable business practices. In recent years, we have extensively utilized various technologies to enhance product quality, capacity, and output. We continuously monitor the development and evolution of technology and the industry and evaluate their impact on the Company's financial operations. Accordingly, we develop relevant plans and measures to address any potential challenges.

Information Security Risks:

Our information security policy focuses on the application of technology and information security governance. We establish an information security management network through the collaboration and balance between people and machines, software and hardware. This includes implementing measures such as firewall configurations, information room management, user security management, and factory security management, in line with established policies. We regularly discuss information security issues, trends, and reinforcement measures with colleagues responsible for information management at our facilities. Through education and training, we optimize the maintenance of an information security environment and enhance the awareness of risk among our colleagues.

(6) The Impact of Changes in Corporate Image on Crisis Management and the Countermeasures:

Since its establishment, the Company has always adhered to the professional principles of corporate governance. We emphasize professional specialization, talent development, and participation in social welfare activities. We prioritize a "people-oriented" approach and treat all employees well, allowing them to wholeheartedly contribute and give their best on their respective roles. We serve our customers with professionalism and expertise. Therefore, at present, the Company has not experienced any crises or the need for crisis management due to changes in corporate image.

(7) Expected Benefits and Potential Risks of Mergers and Acquisitions: None

(8) Expected Benefits and Potential Risks of Expanding the Factory: None

(9) Risks Associated with Concentrated Procurement or Sales:

The Company has established stable procurement sources and sales channels. To mitigate the risks associated with excessive concentration, appropriate diversification policies have been implemented. The Company is committed to strengthening interactions with suppliers to enhance the stability of the supply chain. Additionally, efforts are made to enhance customer service for core clients and actively develop new customers. Measures are taken to strengthen accounts receivable management and reduce the risk of overdue payments. The Company also emphasizes safe inventory levels and strictly controls inventory turnover days.

(10) The Impact and Risks of Significant Transfers or Changes in Ownership of Shares by Directors, Supervisors, or Major Shareholders Holding More Than 10% of the Company's Equity: None

(11) The Impact and Risks of Changes in Management Control on the Company:

The Company's management team exhibits strong cohesion and has been actively involved in the Company's operations for a long period. The Company has maintained a good operational performance over the years, and there are no risks associated with changes in management control.

(12) Major litigation, non-litigation, or administrative disputes involving the company, directors, supervisors, general manager, substantial responsible person, major shareholders holding over 10% of the shares, and subsidiary companies that have been adjudicated or are currently pending, and whose outcomes may have a significant impact on shareholders' equity or securities prices. The contested facts, disputed amounts, commencement dates of the lawsuits, key parties involved, and the status of the cases as of the date of publication of the annual report printing are as follows:

1. The Company: The Securities and Futures Investors Protection Center filed a civil lawsuit against the Company and former directors of the Company in December 2017, in accordance with Article 10-1, Paragraph 1, Subparagraph 2 of the Securities Investor and Futures Trader Protection Act. The case is currently being heard by the Taiwan Taipei District Court. Former director CHIU, HSIU-YING was dismissed from her position as a director on September 22, 2022.

2. Director and major shareholder holding over 10% of the shares, YFY Inc.

(1) YFY Global, a subsidiary of YFY Inc., purchased the issued shares of Giant Crystal Company, a subsidiary of Sanbao Group, on June 20, 2011, for a total of US\$8.5 million. The purchase was made using corporate bonds with Star City Company's equity as the exchange target. YFY Global received the redemption payment for the corporate bonds, including principal and interest, totaling US\$12.39 million on August 11, 2017. The investment return rate was approximately 45%. However, former directors HO, SHOU-CHUAN and CHIU, HSIU-YING of YFY Inc., along with four employees, were indicted by the Taiwan Taipei District Prosecutors Office in August 2017 for alleged violations of Article 171, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act, including the offense of breach of trust. After the trial in the Taiwan Taipei District Court, although YFY Inc. did not incur any losses and shareholder equity was not affected, on November 20, 2020, the court sentenced four of the six individuals involved in the case, including former directors HO, SHOU-CHUAN and CHIU, HSIU-YING, to 8 years and 6 months, 4 years and 8 months, 4 years and 6 months, and 4 years of imprisonment for the offense of breach of trust. The other two individuals were acquitted. Except for the two individuals who were acquitted and had their innocence confirmed as the prosecutor did not appeal, the remaining four individuals appealed against the guilty verdict in the trial and their appeals are currently under review in the Taiwan High Court.

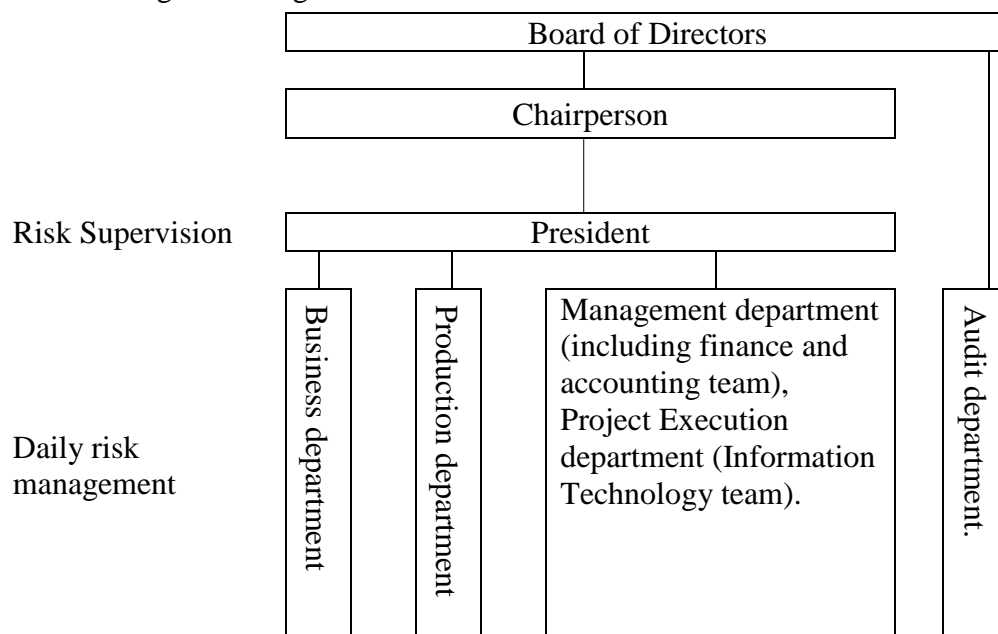
(2) The Securities and Futures Investors Protection Center, in accordance with Article 10-1, Paragraph 1, Subparagraph 2 of the Securities Investor and Futures Trader Protection Act, filed a lawsuit against YFY Inc., Director HO, SHOU-CHUAN, and Director CHIU, HSIU-YING for the removal of their directorship positions. The lawsuit's claim amount is NT\$1.65 million. It should be noted that CHIU, HSIU-YING is currently not holding a directorship position in YFY Inc. The case is still under review in the Taiwan Taipei District Court.

(13) Other Significant Risks and Countermeasures: None

7. Other Important Matters:

1. Risk Management

1. Risk Management Organizational Structure



2. Key risk management areas - Daily risk management.

- (1) Business department: Credit management and accounts receivable management.
- (2) Production department: Management of production efficiency and effectiveness.
- (3) Management department: Administration and general affairs management.
- (4) Finance and accounting team: Management of financing and investment activities.
- (5) Information technology team: Management of computer operations and information security.
- (6) Audit department: Compliance with laws and regulations and various operational control activities.

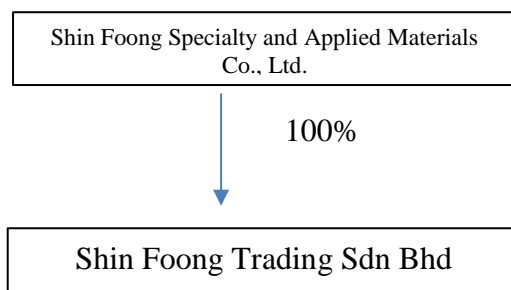
VIII. Special Disclosure

1. Information Regarding the Company's Affiliates:

(1) Consolidated financial statements of affiliated companies: None.

1. Overview of affiliated companies.

(1) Organizational chart of affiliated companies:



(2) Basic information of affiliated companies:

As of December 31, 2022 Unit: NT\$1,000

Company name.	Date of establishment.	Address	Paid-up capital	Main business or production items
Shin Foong Trading Sdn Bhd	2020/02/18	C23A, Ttdi Plaza Jalan Wan Kadir 3Taman Tun Dr Ismail 60000 Kuala Lumpur W.P. Kuala Lumpur Malaysia	MYR 1,500	Trading business of synthetic rubber emulsion and industrial chemicals, among others.

(3) Information on directors, supervisors, and presidents of each affiliated company:

Dec. 31, 2022 Unit: Number of shares/stocks, Capital contribution/amount in NT\$.

Company name.	Job title	Name or representative person	Shareholding	
			Number of Shares	Shareholding ratio
Shin Foong Trading Sdn Bhd	Director	SHEU CHI MIN (Shin Foong Specialty Representative)	1,500,000	100%
	Director	LO, WEN-CHUN (Shin Foong Specialty Representative)		
	Director	YAP KIM MAY (Shin Foong Specialty Representative)		

(4) Financial condition and operating results of each affiliated company.

2022Y

Unit: NT\$1,000

Enterprise Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Profit or loss for the period (after tax)	Loss per share (after tax)
Shin Foong Trading Sdn Bhd	10,568	17,462	6,395	11,067	8,166	20	(169)	(0.01)

(2) Consolidated financial statements of affiliated companies: Details on following pages.

(3) Affiliated report: Details on the following pages.

(1) Relationship between subsidiary company and controlling company.

Unit: shares; April 1, 2023.

Controlling company name	Reason for control	Shareholding and Pledge Status of the Controlling Company.			Status of serving as directors, supervisors, and managerial officers	
		Number of shares held	Shareholding percentage	Number of pledged shares	Job title	Name
YFY Investment Holdings (Stock) Company	Obtain more than half the Company's Directors' seats	50,968,248	48.00	-	Chairperson of the Board Director Director	Sheu Chi Min Jean Liu Kirk Hwang

(2) Items to be recorded regarding transactional relationships:

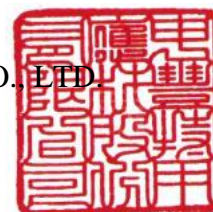
- A. Purchase (sales) transactions: None.
- B. Property transactions: None.
- C. Capital financing situation: None.
- D. Asset leasing situation: None.
- E. Endorsement and guarantee situation: None.

Statement of Consolidated Financial Report of Affiliated Companies.

In 2022 (from January 1 to December 31, 2022), the company should be included in the preparation of the consolidated financial report of related companies according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.” It is the same as the company that should be included in the preparation of the parent-subsidary consolidated financial report in accordance with IFRS 10, and the relevant information that should be disclosed in the parent-subsidary consolidated financial report has been disclosed in the parent-subsidary consolidated financial report disclosed above. Therefore, there is no need to prepare separate consolidated financial statements of affiliated companies.

This statement is hereby made.

Company Name: SHIN FOONG SPECIALTY AND APPLIED MATERIALS CO., LTD.



Responsible Person: SHEU CHI MIN



Affiliated Report

This is to declare that the affiliated report for the fiscal year 2022 (from January 1, 2022, to December 31, 2022) of our company has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and that the disclosed information is not significantly inconsistent with the relevant information disclosed in the financial report footnotes for the aforementioned period.

This statement is hereby made.

Company Name: SHIN FOONG SPECIALTY AND APPLIED MATERIALS CO., LTD

Responsible Person: SHEU CHI MIN



2. Private Placement of Securities in the Most Recent Year and up to the Date of Publication of the Annual Report: None.
3. Subsidiaries' Holding or Disposal of the Company's Shares in the Most Recent Year and up to the Date of publication of the Annual Report: None.
4. Other Matters That Require Additional Description: None.
5. Any Matter in the Most Recent Year and up to the Date of publication of the Annual Report Which Has a Significant Impact on Shareholders' Equity or Securities Prices as Stipulated in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None.

Shin Foong Specialty and Applied Materials Co., Ltd.



Chairperson: SHEU CHI MIN



**Shin Foong Specialty & Applied Materials
Co., Ltd.**

**Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

Shin Foong Specialty & Applied Materials Co., Ltd.

Opinion

We have audited the financial statements of Shin Foong Specialty & Applied Materials Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, their standalone financial performance and their cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2022 are stated as follows:

The sales price of the products of the Company continued to be revised down in line with the easing of the Covid-19 pandemic and the decline in terminal market demand this year. Sales revenue also downturn significantly. However, the contract pricing that the Company previously signed with a specific customer failed to reflect market conditions in time, with the sales from specific customer accounted for 36% of total sales revenue. Therefore, the accuracy of revenues from specific customer should be highly focused. Refer to Notes 4 and 19 to the financial statements for the related disclosures on sales revenue.

The key audit procedures that we performed in respect of the specific customer sales revenue included the following:

1. We understood and tested the effectiveness of the design and implementation of the sales revenue and accounting estimates of internal controls.

2. We tested the sales details of specific customer, including examination of the quotations, shipping documents, bill of lading, cash collection receipts and price documents of settled bilateral.
3. We obtained subsequent details of sales returns and allowances and checked whether there were any material and unusual sales returns and allowances existed.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2023

Notice to Readers

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

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 278,409	4	\$ 209,638	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	119,097	2	1,223,021	14
Financial assets at amortized cost - current (Notes 4 and 9)	1,876,981	29	3,550,200	41
Note receivables (Notes 10 and 19)	8,143	-	13,858	-
Accounts receivable, net (Notes 4, 5, 10 and 19)	82,749	1	58,105	1
Accounts receivable - related parties (Notes 4, 10, 19 and 25)	112,910	2	136,538	1
Other receivables	2,941	-	16,243	-
Inventories (Notes 4 and 11)	252,219	4	441,152	5
Prepayments (Note 25)	42,372	1	52,277	1
Other current assets	<u>1,020</u>	-	<u>-</u>	-
Total current assets	<u>2,776,841</u>	<u>43</u>	<u>5,701,032</u>	<u>65</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 8)	1,112,719	17	427,565	5
Investments accounted for using the equity method (Note 4, 12)	11,067	-	10,132	-
Property, plant and equipment (Notes 4, 13 and 26)	2,515,707	39	2,530,865	29
Right-of-use assets (Notes 4 and 14)	7,786	-	7,810	-
Deferred tax assets (Notes 4 and 21)	29,016	1	31,525	1
Prepayments for business facilities	7,136	-	7,397	-
Refundable deposits	777	-	747	-
Net defined benefit assets (Notes 4 and 17)	13,244	-	-	-
Other non-current assets	<u>1,158</u>	-	<u>1,981</u>	-
Total non-current assets	<u>3,698,610</u>	<u>57</u>	<u>3,018,022</u>	<u>35</u>
TOTAL ASSETS	<u>\$ 6,475,451</u>	<u>100</u>	<u>\$ 8,719,054</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 53,764	1	\$ 48,126	1
Accounts payable (Note 15)	32,687	1	201,767	2
Other payables (Notes 16 and 25)	278,572	4	469,327	6
Current tax liabilities (Note 21)	116,843	2	626,444	7
Lease liabilities - current (Notes 4 and 14)	3,614	-	3,180	-
Refund liabilities - current (Notes 4 and 10)	24,634	-	-	-
Other current liabilities	<u>1,147</u>	-	<u>1,082</u>	-
Total current liabilities	<u>511,261</u>	<u>8</u>	<u>1,349,926</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	3,543	-	532	-
Lease liabilities – non-current (Notes 4 and 14)	3,980	-	4,652	-
Net defined benefit liabilities (Notes 4 and 17)	<u>-</u>	-	<u>928</u>	-
Total non-current liabilities	<u>7,523</u>	-	<u>6,112</u>	-
Total liabilities	<u>518,784</u>	<u>8</u>	<u>1,356,038</u>	<u>16</u>
EQUITY (Notes 18 and 23)				
Ordinary shares	<u>1,061,741</u>	<u>16</u>	<u>1,061,741</u>	<u>12</u>
Capital surplus	<u>749,234</u>	<u>12</u>	<u>749,234</u>	<u>9</u>
Retained earnings				
Legal reserve	1,138,303	17	790,773	9
Unappropriated earnings	<u>2,824,191</u>	<u>44</u>	<u>4,579,283</u>	<u>52</u>
Total retained earnings	<u>3,962,494</u>	<u>61</u>	<u>5,370,056</u>	<u>61</u>
Other equity	<u>183,198</u>	<u>3</u>	<u>181,985</u>	<u>2</u>
Total equity	<u>5,956,667</u>	<u>92</u>	<u>7,363,016</u>	<u>84</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,475,451</u>	<u>100</u>	<u>\$ 8,719,054</u>	<u>100</u>

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 19 and 25)	\$ 1,702,563	100	\$ 8,161,714	100
OPERATING COSTS (Notes 11, 20 and 25)	<u>1,273,176</u>	<u>75</u>	<u>3,236,563</u>	<u>39</u>
GROSS PROFIT FROM OPERATIONS	<u>429,387</u>	<u>25</u>	<u>4,925,151</u>	<u>61</u>
OPERATING EXPENSES (Notes 10, 20 and 25)				
Selling and marketing expenses	113,274	7	314,494	4
General and administrative expenses	73,683	4	187,766	2
Research and development expenses	32,933	2	60,566	1
Expected credit loss (gain)	<u>10,814</u>	<u>-</u>	<u>(2,536)</u>	<u>-</u>
Total operating expenses	<u>230,704</u>	<u>13</u>	<u>560,290</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>198,683</u>	<u>12</u>	<u>4,364,861</u>	<u>54</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	27,356	2	18,993	-
Other income	37,889	2	28,338	1
Other gains and losses	26,150	1	(53,761)	(1)
Finance costs	(287)	-	(627)	-
The share of profit or loss of subsidiary for using equity method	<u>(169)</u>	<u>-</u>	<u>823</u>	<u>-</u>
Total non-operating income and expenses	<u>90,939</u>	<u>5</u>	<u>(6,234)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	289,622	17	4,358,627	54
INCOME TAX (Notes 4 and 21)	<u>114,629</u>	<u>7</u>	<u>882,241</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>174,993</u>	<u>10</u>	<u>3,476,386</u>	<u>43</u>
OTHER COMPREHENSIVE INCOME (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	12,571	1	(1,364)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	109	-	104,939	1

(Continued)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (2,514)	-	\$ 273	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,104	-	(279)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>11,270</u>	<u>-</u>	<u>103,456</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 186,263</u>	<u>-</u>	<u>\$ 3,579,842</u>	<u>44</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.65</u>		<u>\$ 32.74</u>	
Diluted	<u>\$ 1.65</u>		<u>\$ 32.60</u>	

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary Shares	Capital Surplus	Legal Reserve	Retained Earnings		Other Equity			
				Unappropriated Earnings	Total	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 1,061,241	\$ 748,849	\$ 613,402	\$ 2,343,100	\$ 2,956,502	\$ 77,892	\$ (454)	\$ 77,438	\$ 4,844,030
Appropriation of 2020 earnings (Note 18)									
Legal reserve	-	-	177,371	(177,371)	-	-	-	-	-
Cash dividends	-	-	-	(1,061,741)	(1,061,741)	-	-	-	(1,061,741)
	-	-	177,371	(1,239,112)	(1,061,741)	-	-	-	(1,061,741)
Net profit for the year ended December 31, 2021	-	-	-	3,476,386	3,476,386	-	-	-	3,476,386
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	(1,091)	(1,091)	104,939	(392)	104,547	103,456
Total comprehensive income for the year ended December 31, 2021	-	-	-	3,475,295	3,475,295	104,939	(392)	104,547	3,579,842
Share-based payment (Notes 18 and 23)	500	385	-	-	-	-	-	-	885
BALANCE AT DECEMBER 31, 2021	1,061,741	749,234	790,773	4,579,283	5,370,056	182,831	(846)	181,985	7,363,016
Appropriation of 2021 earnings (Note 18)									
Legal reserve	-	-	347,530	(347,530)	-	-	-	-	-
Cash dividends	-	-	-	(1,592,612)	(1,592,612)	-	-	-	(1,592,612)
	-	-	347,530	(1,940,142)	(1,592,612)	-	-	-	(1,592,612)
Net profit for the year ended December 31, 2022	-	-	-	174,993	174,993	-	-	-	174,993
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	10,057	10,057	109	1,104	1,213	11,270
Total comprehensive income for the year ended December 31, 2022	-	-	-	185,050	185,050	109	1,104	1,213	186,263
BALANCE AT DECEMBER 31, 2022	\$ 1,061,741	\$ 749,234	\$ 1,138,303	\$ 2,824,191	\$ 3,962,494	\$ 182,940	\$ 258	\$ 183,198	\$ 5,956,667

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 289,622	\$ 4,358,627
Adjustments for:		
Depreciation expense	144,740	140,930
Amortization expense	823	8,963
Expected credit loss recognized (reversed)	10,814	(2,536)
Net gain on financial assets and liabilities at fair value through profit or loss	4,046	(928)
Finance costs	287	627
Interest income	(27,356)	(18,993)
Dividend income	(37,855)	(28,304)
The share of profit or loss of subsidiary for using equity method	169	(823)
Loss on disposal of property, plant and equipment	18	-
Impairment loss recognized on non-financial assets	6,245	2,159
Loss on idle capacity	244,166	67,009
Others	25,047	145
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	113	7,099
Notes receivable	5,715	(1,387)
Accounts receivable	(35,458)	92,251
Accounts receivable - related parties	23,628	(46,029)
Other receivables	14,294	(13,877)
Inventories	(61,315)	(199,000)
Prepayments	9,330	15,326
Other current assets	(1,020)	271
Net defined benefit assets	(673)	439
Contract liabilities	5,638	(10,221)
Notes payable	-	(14)
Accounts payable	(169,080)	(159,157)
Other payables	(178,179)	201,310
Other current liabilities	65	61
Net defined benefit liabilities	(928)	(436)
Cash generated from operations	272,896	4,413,512
Interest received	26,364	17,694
Dividends received	37,855	28,304
Interest paid	(301)	(626)
Income taxes paid	(621,224)	(645,057)
Net cash generated from (used in) operating activities	(284,410)	3,813,827

(Continued)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STANDALONE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (685,108)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	63	-
Acquisition of financial assets at amortized cost	(2,456,981)	(1,946,400)
Proceeds from disposal of financial assets at amortized cost	4,130,200	
Acquisition of financial assets at fair value through profit or loss	(1,194,000)	(2,265,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,293,765	1,856,107
Acquisition of property, plant and equipment	(137,955)	(781,001)
Increase in refundable deposits	(30)	-
Decrease in refundable deposits	-	506
Acquisition of software	-	(2,470)
Net cash generated from (used in) investing activities	<u>1,949,954</u>	<u>(3,138,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits refunded	-	(3,964)
Repayment of principal of lease liabilities	(4,161)	(4,257)
Cash dividends paid	(1,592,612)	(1,061,741)
Proceeds from share options exercised	-	885
Net cash used in financing activities	<u>(1,596,773)</u>	<u>(1,069,077)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,711	(393,508)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>209,638</u>	<u>603,146</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 278,409</u>	<u>\$ 209,638</u>

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

The Company was invested by parent company the YFY Inc. (holds 48% shares) and established in July 1979. It mainly manufactures and sells synthetic latex and adhesives.

The shares of the Company were listed on the Taiwan Stock Exchange in June 2017.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on February 21, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company have assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the financial statements were 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined liabilities (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets (liabilities).

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiary. In order for the amounts of the net profit for the year, other comprehensive income (loss) for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiary (accounted for as investment revenue), the share of other comprehensive income (loss) of subsidiary and the related equity items.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within twelve months after the reporting period even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as abovementioned are classified as noncurrent.

Foreign Currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the

retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiary.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of other equity of subsidiary.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiary are recognized only in the parent company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation.

Properties in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Property, plant and equipment depreciated in straight-line depreciation method. For each major part of property, plant and equipment recognized depreciation separately. The Company reviews estimating useful life, residual value, and depreciation method, at a minimum, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

Software

a. Software acquired separately

Software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of software

On derecognition of software, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Software

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, and software on each date of balance sheet. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the cash generating unit that the asset belong. The recoverable amount of corporate assets is allocated to individual or the smallest identifiable cash generating unit with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "value in use." If the recoverable amount of an individual asset or cash generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash generating unit down to the recoverable amount and recognize impairment loss to profit and loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization or depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial asset at FVTPL

Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other gains or losses, respectively. Fair value is determined in the manner described in Note 24.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties) at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Foreign currency exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when the issuer or the borrower has significant financial difficulty; or breach of contract, such as a default; or it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes and accounts receivable).

The Company always recognize lifetime expected credit loss (ECL) for notes and accounts receivable. For other financial assets, the Company recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- a) There is internal or external information showing that the debtor is no longer able to repay debts.
- b) More than 181 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the allowance account.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage their exposure to foreign exchange rate and interest rate.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Refund Liabilities

Estimated discount or other allowances of the consideration are recognized as refund liabilities.

Revenue Recognition

The Company identifies contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue and accounts receivable are recognized when the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and the control of products is transferred to customers (export, when products are crossed the shipboard or arrived; domestic, when products are delivered). Transaction price received is recognized as a contract liability.

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

When the Company as lessee, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (assets) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the

capital surplus - employee share options.

Taxation

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

Current tax

The Company's income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the Income Tax Act in the ROC.

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, the current and deferred tax are recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty

a. Estimating impairment of financial assets

The provision for impairment of account receivables is based on assumptions about probability of default and loss given default ratio. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, prospective information and existing market conditions. Refer to the Note 10 for the important assumptions. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. The estimating impairment loss of property, plant and equipment

Impairment of equipment in relation to the production is evaluated based on the recoverable amount of the assets. Any changes in the market prices, future cash flows or discount rates will affect the recoverable amount of the assets and may lead to the recognition of additional impairment losses. Furthermore, the estimates of cash flows, growth rates and discount rates are subject to higher degree of estimation uncertainties due to the uncertain impact and volatility in markets caused by the COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 14	\$ 72
Checking accounts and demand deposits	15,124	209,566
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>263,271</u>	<u>-</u>
	<u>\$ 278,409</u>	<u>\$ 209,638</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	
	2022	2021
<hr/> Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 458
Non-derivatives financial assets		
Mutual funds	<u>119,097</u>	<u>1,222,563</u>
	<u>\$ 119,097</u>	<u>\$ 1,223,021</u>

At the end of the reporting period, outstanding foreign exchange forward contracts accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<hr/> December 31, 2021			
Sell	USD/NTD	2022.01.03-2022.01.17	USD3,700/NTD102,777

The Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these forward exchange contracts.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

	December 31	
	2022	2021
Domestic investment		
Listed shares	\$ 1,044,254	\$ 353,542
Unlisted shares	<u>68,465</u>	<u>74,023</u>
	<u>\$ 1,112,719</u>	<u>\$ 427,565</u>

These investments in equity instruments are held for operating strategies and are not held for trading or short-term profit. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Time deposit with original maturities of more than 3 months	<u>\$ 1,876,981</u>	<u>\$ 3,550,200</u>

The ranges of annual interest rates for time deposit with original maturities of more than 3 months were 1.40%-4.78% and 0.27%-0.77%, respectively, as at the end of the reporting period.

10. NOTES AND ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

	December 31	
	2022	2021
<u>Notes receivable (operating)</u>		
At amortized cost	<u>\$ 8,143</u>	<u>\$ 13,858</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 128,623	\$ 93,165
Allowance for impairment loss	<u>45,874</u>	<u>35,060</u>
	<u>\$ 82,749</u>	<u>\$ 58,105</u>
<u>Accounts receivables - related parties</u>		
At amortized cost	<u>\$ 112,910</u>	<u>\$ 136,538</u>

The average credit period of sales of goods is 30-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

The estimate of refund liabilities for expected sales return and discounts was based on the judgment of the Company's management. It was recognized as the deduction of operating revenue in the current year when relevant products were sold. Refund liabilities recognized were NT\$24,634 thousand as of December 31, 2022 (listed as the individual assessment as the following table).

The following table details the loss allowance of notes and accounts receivable.

2022

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 136,925	\$ 1,205	\$ -	\$ 37,768	\$ 73,778	\$ 249,676
Loss allowance	<u>(132)</u>	<u>(121)</u>	<u>-</u>	<u>(37,768)</u>	<u>(7,853)</u>	<u>(45,874)</u>
Amortized cost	<u>\$ 136,793</u>	<u>\$ 1,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,925</u>	<u>\$ 203,802</u>

2021

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 190,658	\$ 15,134	\$ 4,866	\$ 32,903	\$ -	\$ 243,561
Loss allowance	<u>(395)</u>	<u>(303)</u>	<u>(1,459)</u>	<u>(32,903)</u>	<u>-</u>	<u>(35,060)</u>
Amortized cost	<u>\$ 190,263</u>	<u>\$ 14,831</u>	<u>\$ 3,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,501</u>

The movements of the loss allowance of notes receivable and accounts receivable (including related parties) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 35,060	\$ 37,596
Recognition (written off)	<u>10,814</u>	<u>(2,536)</u>
Balance at December 31	<u>\$ 45,874</u>	<u>\$ 35,060</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 141,908	\$ 95,055
Supplies	1,784	1,971
Work in progress	5,151	13,261
Finished goods	<u>103,376</u>	<u>330,865</u>
	<u>\$ 252,219</u>	<u>\$ 441,152</u>

The costs of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$1,273,176 thousand and NT\$3,236,563 thousand, respectively, including the following major item.

	For the Year Ended December 31	
	2022	2021
Loss on idle capacity	\$ 244,166	\$ 67,009
Inventory write-downs	<u>\$ 5,670</u>	<u>\$ 1,295</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in subsidiary

	December 31	
	2022	2021
SHIN FOONG TRADING SDN. BHD.	<u>\$ 11,067</u>	<u>\$ 10,132</u>

Refer to Table 5 for more Information on investees.

The Company established its subsidiary SHIN FOONG TRADING SDN. BHD in February 2020. Initial capital was NT\$10,568 thousand (MYR\$1,500, 100% shareholding). Main Businesses and Products are trading of synthetic latex and industrial chemicals.

13. PROPERTY, PLANT AND EQUIPMENT

2022

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2022	\$ 968,880	\$ 537,607	\$ 1,391,585	\$ 489,292	\$ 4,860	\$ 338,449	\$ 132,281	\$ 3,862,954
Additions	-	19,207	29,179	8,097	-	15,117	54,054	125,654
Disposals	-	-	(3,657)	(248)	-	(1,026)	-	(4,931)
Balance at December 31, 2022	<u>968,880</u>	<u>556,814</u>	<u>1,417,107</u>	<u>497,141</u>	<u>4,860</u>	<u>352,540</u>	<u>186,335</u>	<u>3,983,677</u>
Accumulated depreciation								
Balance at January 1, 2022	-	150,055	732,929	233,842	2,264	212,999	-	1,332,089
Depreciation expense	-	16,837	68,430	30,664	360	24,503	-	140,794
Disposals	-	-	(3,657)	(230)	-	(1,026)	-	(4,913)
Balance at December 31, 2022	<u>-</u>	<u>166,892</u>	<u>797,702</u>	<u>264,276</u>	<u>2,624</u>	<u>236,476</u>	<u>-</u>	<u>1,467,970</u>
Carrying amount at December 31, 2022	<u>\$ 968,880</u>	<u>\$ 389,922</u>	<u>\$ 619,405</u>	<u>\$ 232,865</u>	<u>\$ 2,236</u>	<u>\$ 116,064</u>	<u>\$ 186,335</u>	<u>\$ 2,515,707</u>

2021

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2021	\$ 268,149	\$ 525,606	\$ 1,321,370	\$ 469,618	\$ 2,298	\$ 316,680	\$ 47,147	\$ 2,950,868
Additions	700,731	12,001	70,215	19,932	2,562	22,358	85,134	912,933
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	<u>968,880</u>	<u>537,607</u>	<u>1,391,585</u>	<u>489,292</u>	<u>4,860</u>	<u>338,449</u>	<u>132,281</u>	<u>3,862,954</u>
Accumulated depreciation								
Balance at January 1, 2021	-	133,503	666,890	204,255	2,057	189,529	-	1,196,234
Depreciation expense	-	16,552	66,039	29,845	207	24,059	-	136,702
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	-	<u>150,055</u>	<u>732,929</u>	<u>233,842</u>	<u>2,264</u>	<u>212,999</u>	-	<u>1,332,089</u>
Carrying amount at December 31, 2021	<u>\$ 968,880</u>	<u>\$ 387,552</u>	<u>\$ 658,656</u>	<u>\$ 255,450</u>	<u>\$ 2,596</u>	<u>\$ 125,450</u>	<u>\$ 132,281</u>	<u>\$ 2,530,865</u>

The property, plant and equipment of the Company is depreciated on a straight-line basis over the following useful years:

Buildings	
Main structure	15-55 years
Facility	4-55 years
Machinery equipment	
Storage tank equipment	7-21 years
Power and computer equipment	5-21 years
Others	5-31 years
Electronic equipment	
Power distribution engineering	4-16 years
Lines and pumps	5-21 years
Transportation equipment	5-8 years
Other equipment	
Green equipment	3-15 years
Fire equipment	3-26 years
Others	3-21 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	\$ 3,704	\$ 5,637
Transportation equipment	2,543	2,052
Other equipment	<u>1,539</u>	<u>121</u>
	<u>\$ 7,786</u>	<u>\$ 7,810</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 3,952</u>	<u>\$ 6,988</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,933	\$ 1,933
Transportation equipment	1,655	1,933
Other equipment	<u>358</u>	<u>362</u>
	<u>\$ 3,946</u>	<u>\$ 4,228</u>

Except for the depreciation added and recognized above, there was no significant sub-lease and impairment of the Company's right-of-use assets in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 3,614</u>	<u>\$ 3,180</u>
Non-current	<u>\$ 3,980</u>	<u>\$ 4,652</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.1	1.1
Transportation equipment	1.1-1.496	1.12-1.1315
Other equipment	1.1	1.12-1.1315

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	<u>\$ 7,226</u>	<u>\$ 4,325</u>
Total cash outflow for leases	<u>\$ 11,485</u>	<u>\$ 8,627</u>

For the buildings and transportation equipment which qualified as short-term leases and office equipment which qualified as low-value asset leases, the Company has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. ACCOUNTS PAYABLE

	December 31	
	2022	2021
Accounts payable	<u>\$ 32,687</u>	<u>\$ 201,767</u>

The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

16. OTHER PAYABLES

	December 31	
	2022	2021
Bonus	\$ 133,084	\$ 206,595
Compensation of employees and remuneration of directors	80,158	131,829
Repair fees	5,011	24,148
Employee travel grant	23,010	23,010
Export fees	3,397	21,032
Equipment	5,925	18,487
Others (mainly for service fees, freight and pension)	<u>27,987</u>	<u>44,226</u>
	<u>\$ 278,572</u>	<u>\$ 469,327</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The pension system implemented by the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to a certain percentage of employees' monthly salaries and wages to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the - 45 - balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the balance sheet is as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 38,844	\$ 79,493
Fair value of plan assets	<u>(52,088)</u>	<u>(78,565)</u>
Net defined benefit liabilities (assets)	<u>\$ (13,244)</u>	<u>\$ 928</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>
Service cost			
Current service cost	334	-	334
Interest expense (income)	<u>596</u>	<u>(600)</u>	<u>(4)</u>
Recognized in profit or loss	<u>930</u>	<u>(600)</u>	<u>330</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,475)	(6,475)
Actuarial profit - changes in financial assumptions	(2,304)	-	(2,304)
Actuarial profit - experience adjustments	<u>(3,792)</u>	<u>-</u>	<u>(3,792)</u>
Recognized in other comprehensive income (loss)	<u>(6,096)</u>	<u>(6,475)</u>	<u>(12,571)</u>
Contributions from the employer	-	(1,285)	(1,285)
Benefits paid			
Paid from plan asset	(34,837)	34,837	-
Paid directly by the Company	<u>(646)</u>	<u>-</u>	<u>(646)</u>
	<u>(35,483)</u>	<u>33,552</u>	<u>(1,931)</u>
Balance at December 31, 2022	<u>\$ 38,844</u>	<u>\$ (52,088)</u>	<u>\$ (13,244)</u>
Balance at January 1, 2021	<u>\$ 84,995</u>	<u>\$ (85,434)</u>	<u>\$ (439)</u>
Service cost			
Current service cost	419	-	419
Interest expense (income)	<u>419</u>	<u>(422)</u>	<u>(3)</u>
Recognized in profit or loss	<u>838</u>	<u>(422)</u>	<u>416</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,114)	(1,114)
Actuarial loss - changes in financial assumptions	528	-	528
Actuarial loss - experience adjustments	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Recognized in other comprehensive income (loss)	<u>2,478</u>	<u>(1,114)</u>	<u>1,364</u>
Contributions from the employer	-	(413)	(413)
Benefits paid	<u>(8,818)</u>	<u>8,818</u>	<u>-</u>
	<u>(8,818)</u>	<u>8,405</u>	<u>(413)</u>
Balance at December 31, 2021	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 257	\$ 314
Selling and marketing expenses	9	9
General and administrative expenses	47	76
Research and development expenses	<u>17</u>	<u>17</u>
	<u>\$ 330</u>	<u>\$ 416</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate (%)	1.75	0.75
Expected rate of salary increase (%)	1.00-1.50	1.00-1.50

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (544)	\$ (1,069)
0.25% decrease	<u>\$ 556</u>	<u>\$ 1,095</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 550</u>	<u>\$ 1,073</u>
0.25% decrease	<u>\$ (540)</u>	<u>\$ (1,053)</u>
		(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 333</u>	<u>\$ 2,910</u>
The average duration of the defined benefit obligation	6.3 years	5.4 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>106,174</u>	<u>106,174</u>
Shares issued	<u>\$ 1,061,741</u>	<u>\$ 1,061,741</u>

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

The employee share option that the Company issued was exercised 50 thousand shares and converted as ordinary shares in May 2021.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset deficits, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ 734,171	\$ 734,171
Expired employee share option	<u>15,063</u>	<u>15,063</u>
	<u>\$ 749,234</u>	<u>\$ 749,234</u>

The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made 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 or in the necessary situation, and then any remaining profit together with any undistributed retained earnings shall be used for distribution of dividends and bonuses to shareholders.

In order to consider the overall environment and follow long-term financial planning for sustainable and stable business development. In making its dividend policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends should be distributed as follows:

- 1) At least 20% as cash dividends; and
- 2) The remainder after the distribution of cash dividends as share dividends. If there is a requirement for capital expenditures, the Company may distribute only share dividends.

The distributable dividends and bonuses, in whole or in part may be paid in cash after a resolution has been approved by more than half of the directors with the attendance of more than two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's fully paid share capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meeting in June 2022 and July 2021, respectively. The appropriations of earnings were as follows:

	Appropriations of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 347,530	\$ 177,371		
Cash dividends	1,592,612	1,061,741	\$ 15	\$ 10

The appropriations of earnings for 2022 had been proposed by the Company's board of directors in February 2023 as follows:

	2022
Legal reserve	<u>\$ 18,505</u>
Cash dividends	<u>\$ 159,261</u>
Cash dividends per share (NT\$)	\$ 1.50

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held in May 2023.

d. Other equity item

1) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 182,831	\$ 77,892
Recognized during the period		
Equity instruments - unrealized evaluating gains and losses	<u>109</u>	<u>104,939</u>
Balance at December 31	<u>\$ 182,940</u>	<u>\$ 182,831</u>

2) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (846)	\$ (454)
Recognized during the year		
Exchange differences on translating of foreign operations	1,104	(279)
Relating income tax	<u>-</u>	<u>(113)</u>
Balance at December 31	<u>\$ 258</u>	<u>\$ (846)</u>

19. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts		
Revenue from sale of goods	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	<u>\$ 8,143</u>	<u>\$ 13,858</u>	<u>\$ 12,471</u>
Accounts receivable (including related parties)	<u>\$ 195,659</u>	<u>\$ 194,643</u>	<u>\$ 238,329</u>
Contract liabilities - current	<u>\$ 53,764</u>	<u>\$ 48,126</u>	<u>\$ 58,347</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment and there are no other significant changes in 2022 and 2021.

b. Disaggregation of revenue

	For the Year Ended December 31	
	2022	2021
<hr/>		
Mainly region		
Asia	\$ 1,320,557	\$ 7,627,423
Taiwan	326,679	433,153
Others	<u>55,327</u>	<u>101,138</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>
<hr/>		
Mainly goods		
Synthetic latex	\$ 1,650,395	\$ 8,161,564
Others	<u>52,168</u>	<u>150</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

20. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 37,855	\$ 28,304
Rental income	<u>34</u>	<u>34</u>
	<u>\$ 37,889</u>	<u>\$ 28,338</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 29,168	\$ (49,440)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(4,046)	928
Loss on disposal of property, plant and equipment	(18)	-
Others	<u>1,046</u>	<u>(5,249)</u>
	<u>\$ 26,150</u>	<u>\$ (53,761)</u>

The components of net foreign exchange gain (loss) were as follows:

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 36,148	\$ 16,243
Foreign exchange loss	<u>(6,980)</u>	<u>(65,683)</u>
Net exchange gain (loss)	<u>\$ 29,168</u>	<u>\$ (49,440)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 189	\$ 582
Interest on lease liabilities	<u>98</u>	<u>45</u>
	<u>\$ 287</u>	<u>\$ 627</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Depreciation		
Property, plant and equipment	\$ 140,794	\$ 136,702
Right-of-use assets	<u>3,946</u>	<u>4,228</u>
	<u>\$ 144,740</u>	<u>\$ 140,930</u>
Analysis of depreciation by function		
Operating costs	\$ 123,327	\$ 119,986
Operating expenses	<u>21,413</u>	<u>20,944</u>
	<u>\$ 144,740</u>	<u>\$ 140,930</u>
Amortization		
Other non-current assets	<u>\$ 823</u>	<u>\$ 8,963</u>
Analysis of amortization by function		
Operating costs	\$ 583	\$ 6,986
Operating expenses	<u>240</u>	<u>1,977</u>
	<u>\$ 823</u>	<u>\$ 8,963</u>

e. Employee benefits

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 134,621	\$ 432,543
Insurance	16,556	16,965
Others	<u>8,859</u>	<u>14,630</u>
	<u>160,036</u>	<u>464,138</u>
Post-employment benefits (Note 17)		
Defined contribution plans	6,511	6,765
Defined benefit plans	<u>330</u>	<u>416</u>
	<u>6,481</u>	<u>7,181</u>
	<u>\$ 166,877</u>	<u>\$ 471,319</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits by function		
Operating costs	\$ 107,155	\$ 262,837
Operating expenses	<u>59,722</u>	<u>208,482</u>
	<u>\$ 166,877</u>	<u>\$ 471,319</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Company distributed compensation of employees and remuneration of directors at the rates no less than 1% and no higher than 2%, respectively, of the pre-tax profit prior to deducting compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the year ended December 31, 2022 which have been approved by the Company's board of directors in February 2023 were as follows:

	Amount
Compensation of employees - cash	\$ 2,996
Remuneration of directors - cash	5,500

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

The appropriations of compensation of employees and remuneration of directors for 2021 and 2020 which had been approved by the Company's board of directors in February 2022 and March 2021, respectively, were as follows. The actual amount distributed in 2021 was different from the amount recognized in the individual financial statements, and the difference was adjusted into the income/loss in 2022.

	2021		2020	
	Compensation of Employees	Remuneration of Directors	Compensation of Employees	Remuneration of Directors
Amount to be distributed according to the Board of Directors resolution	<u>\$ 69,764</u>	<u>\$ 20,000</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>
Amount recognized in the financial statements	<u>\$ 69,764</u>	<u>\$ 26,673</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

- g. Impairment losses were recognized on non-financial assets

	For the Year Ended December 31	
	2022	2021
Write-down of inventory	\$ 5,670	\$ 1,295
Loss on slow-moving of supplies inventory	<u>575</u>	<u>864</u>
	<u>\$ 6,245</u>	<u>\$ 2,159</u>

21. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 46,876	\$ 844,257
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	(9,779)	(3,246)
Deferred tax		
In respect of the current year	<u>3,006</u>	<u>21,585</u>
	<u>\$ 114,629</u>	<u>\$ 882,241</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 289,622</u>	<u>\$ 4,358,627</u>
Income tax expense calculated at the statutory rate	\$ 57,924	\$ 871,725
Nontaxable income in determining taxable income	(8,042)	(5,883)
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	<u>(9,779)</u>	<u>(3,246)</u>
	<u>\$ 114,629</u>	<u>\$ 882,241</u>

- b. Income tax which was recognized in other comprehensive loss

	For the Year Ended December 31	
	2022	2021
<hr/>		
Deferred tax		
Remeasurement of defined benefit plans	\$ 2,514	\$ (273)
Exchange differences on translating of foreign financial statements	<u>-</u>	<u>113</u>
	<u>\$ 2,514</u>	<u>\$ (160)</u>

c. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 116,863</u>	<u>\$ 626,444</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
The time difference of revenue recognition between fiscal and tax	\$ 18,837	\$ (13,914)	\$ -	\$ 4,923
Excessive of allowance for impaired losses	6,525	2,150	-	8,675
Unrealized loss on inventories	455	1,134	-	1,589
Idle capacity loss	1,315	3,588	-	4,903
Refund liabilities	-	4,927	-	4,927
Others	<u>4,393</u>	<u>150</u>	<u>(544)</u>	<u>3,999</u>
	<u>\$ 31,525</u>	<u>\$ (1,965)</u>	<u>\$ (544)</u>	<u>\$ 29,016</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 359	\$ 320	\$ 1,970	\$ 2,649
Others	<u>173</u>	<u>721</u>	<u>-</u>	<u>894</u>
	<u>\$ 532</u>	<u>\$ 1,041</u>	<u>\$ 1,970</u>	<u>\$ 3,543</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
The time difference of revenue recognition between fiscal and tax	\$ 44,410	\$ (25,573)	\$ -	\$ 18,837
Excessive of allowance for impaired losses	6,943	(418)	-	6,525
Others	<u>1,818</u>	<u>3,914</u>	<u>431</u>	<u>6,163</u>
	<u>\$ 53,171</u>	<u>\$ (22,077)</u>	<u>\$ 431</u>	<u>\$ 31,525</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 89	\$ (1)	\$ 271	\$ 359
Others	<u>664</u>	<u>(491)</u>	<u>-</u>	<u>173</u>
	<u>\$ 753</u>	<u>\$ (492)</u>	<u>\$ 271</u>	<u>\$ 532</u>

e. Income tax assessments

The Company's income tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2022	2021
Net profit for the year attributable to owners of the Company	\$ <u>174,993</u>	\$ <u>3,476,386</u>

Number of shares (in thousand shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	106,174	106,169
Effect of dilutive potential ordinary shares:		
Compensation of employees	151	462
Employee share options	<u>-</u>	<u>9</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>106,325</u>	<u>106,640</u>

The Company may settle the compensation paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. Share-Based Payment Agreements

In order to attract and retain the professional talents needed by the Company, enhance employees' solidarity and sense of belonging to the Company and jointly create the interests of the Company and shareholders, qualified employees of the Company was granted 2,318 options in April 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 5 years, exercisable as the following schedule after the second year from the grant date. The options were granted at an exercise price higher than the net value per share of the latest auditing financial statement. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. According to the appropriations of cash dividends have been approved in the shareholders' meetings in 2020, the exercise price has been adjusted from NT\$18.3 to NT\$17.7 since August 2020.

Schedule	Options exercisable ratio (%) (cumulation)
After the second year	50
After the third year	75
After the fourth year	100

Information on employee share options granted in April 2016 as follows:

Employee share options	Unit (Thousand Share)	Exercise Price
Options granted in April 2016	<u>2,318</u>	<u>\$ 23</u>
Weighted-average fair value of options granted in April 2016 (\$)	<u>\$ 50.97</u>	

Information on outstanding options was as follows:

Options	2021	
	Unit (Share)	Exercise Price (Dollar)
Balance at January 1	350,000	\$ 17.7
Options expired	(300,000)	17.7
Options exercised	<u>(50,000)</u>	17.7
Balance at December 31	<u>-</u>	
Options exercisable, end of the year	<u>-</u>	

The weighted-average share price on the exercise date of the share options for the years ended December 31, 2021 was NT\$226.91. The difference between the exercise price and the par value of each ordinary share was NT\$385 thousand that was included in the capital surplus - additional paid-in capital.

Information on outstanding options was as follows:

	December 31, 2021
Range of exercise price (\$)	\$ 17.7
Weighted-average remaining contractual life	0 years

Options using the Black-Scholes-Merton pricing model, and the inputs to the model are as follows:

Grant-date share price	\$73.21
Exercise price	\$23
Expected volatility	31.09-31.92
Expected life (in years)	3.5-4.5
Expected dividend yield (%)	-
Expected exercise ratio (%)	100
Risk-free interest rate (%)	0.53-0.58

Compensation costs recognized was NT\$0 for the year ended December 31, 2021.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

The management of the Company considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis.

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL -				
current				
Foreign exchange forward				
contracts	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>119,097</u>	<u>-</u>	<u>-</u>	<u>119,097</u>
	<u>\$ 119,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,097</u>
Financial assets at FVTOCI –				
non-current				
Equity instruments				
Domestic listed shares	\$ 1,044,254	\$ -	\$ -	\$ 1,044,254
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>68,465</u>	<u>68,465</u>
	<u>\$ 1,044,254</u>	<u>\$ -</u>	<u>\$ 68,465</u>	<u>\$ 1,112,719</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL -				
current				
Foreign exchange forward				
contracts	\$ -	\$ 458	\$ -	\$ 458
Mutual funds	<u>1,222,563</u>	<u>-</u>	<u>-</u>	<u>1,222,563</u>
	<u>\$ 1,222,563</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 1,223,021</u>
Financial assets at FVTOCI –				
non-current				
Equity instruments				
Domestic listed shares	\$ 353,542	\$ -	\$ -	\$ 353,542
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>74,023</u>	<u>74,023</u>
	<u>\$ 353,542</u>	<u>\$ -</u>	<u>\$ 74,023</u>	<u>\$ 427,565</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Type of financial instruments	Evaluation techniques and inputs
Derivatives	The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument and that information was available to the Company. The Company calculates the fair value of individual derivative contracts based on the average exchange rate of the counterparties' financial institutions in accordance with the quoting system and the expired date rate of each contract, respectively.

3) Reconciliation of Level 3 fair value measurements of financial assets - FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 74,023	\$ 71,972
Recognized in other comprehensive income (loss)	<u>(5,558)</u>	<u>2,051</u>
Balance at December 31	<u>\$ 68,465</u>	<u>\$ 74,023</u>

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In the third quarter of 2021, after considering the industry status and the investment's future business development, the method of fair value measurement was more appropriate to convert market approach to income approach. And it was determined by industry category, evaluation of similar companies and the company's operating situation.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at fair value through profit or loss	\$ 119,097	\$ 1,223,021
Financial assets at fair value through other comprehensive income - equity instruments	1,112,719	427,565
Financial assets at amortized cost (1)	2,362,910	3,985,329
Financial liabilities		
Financial liabilities at amortized cost (2)	311,259	671,094

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, financial assets at amortized cost - current and refundable deposits.

- 2) The balances included financial liabilities at amortized cost, which comprise accounts payable and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include notes and accounts receivable, notes and accounts payable and lease liabilities. The Company's financial officers according to the needs of the company's operating conditions at each stage to formulate financial strategies and coordinate domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Company. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Company are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below) .

There has been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company exposed to foreign currency risk due to sales and purchases and fulfills capital expenditures, denominated in foreign currencies. Exchange rate exposures were managed within utilizing the same currency for forward foreign exchange contract transactions to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 27.

The Company was mainly exposed to the fluctuation of USD. The following table details the Company's sensitivity to a 1% increase in the New Taiwan dollars against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only the outstanding foreign currency denominated monetary items.

	USD Impact (Note)	
	For the Year Ended December 31	
	2022	2021
Profit before income tax (Note)	\$ (1,860)	\$ (1,097)

Note: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable (including related parties), other receivables, accounts payable and other payables, which were not hedged at the balance sheet date.

The management of the Company believes that the sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposures on the balance sheet date cannot reflect the interim exposures, and sales denominated in US dollars will vary with the customers' orders and business cycle.

b) Interest rate risk

The carrying amounts of the Company and its subsidiary's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 7,594	\$ 7,832
Cash flow interest rate risk		
Financial assets	2,155,359	3,759,232

If the interest rate increases/decreases by 1%, and all other variables remain unchanged, the pre-tax net profit of the company in 2022 and 2021 will increase/decrease by NT\$21,554 thousand and NT\$37,592 thousand.

c) Other price risk

The Company was exposed to equity price risk through their investments in domestic listed and unlisted shares and mutual funds.

If equity price of fair value through profit or loss financial assets had been higher or lower by 1%, the pre-tax income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$1,191 thousand and NT\$12,230 thousand, respectively.

And if equity price of fair value through other comprehensive income financial assets had been higher or lower by 1%, the pre-tax-other comprehensive income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$11,127 thousand and NT\$4,276 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the balance sheet date, the Company's maximum exposure to credit risk is the carrying amount of the financial assets on the balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company made transactions with the parties with good credit. The business department grants the current credit limit according to the results of each credit investigation, and regularly tracks the customers' collection situation, and also accounts for a full amount of impairment losses.

When the counterparties of the Company's receivables transactions are significantly concentrated in certain customers, most of them are engaged in similar business activities and have similar economic characteristics, and their abilities to perform contracts are similarly affected by economic or other conditions, a significant concentration of credit risk occurs. The balance of receivables from customers with significant concentration of credit risk is as follows:

Customer Name	December 31	
	2022	2021
Chung Hwa Pulp Corporation	\$ 105,400	\$ 120,809

3) Liquidity risk

The Company manage liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows and monitor the utilization of bank borrowings. As of December 31, 2022, and 2021, the unutilized credit facilities of the Company were NT\$504,817 thousand and NT\$1,074,400 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on the earliest date on which repayment may be required and undiscounted cash flows (including the cash flows of interest and principal):

	Less Than 1 Year	1-5 Years	Total
December 31, 2022			
Accounts payable	\$ 32,687	\$ -	\$ 32,687
Lease liabilities	3,681	4,020	7,701
Other payables	<u>278,572</u>	<u>-</u>	<u>278,572</u>
	<u>\$ 314,940</u>	<u>\$ 4,020</u>	<u>\$ 318,960</u>
	Less Than 1 Year	1-5 Years	Total
December 31, 2021			
Accounts payable	\$ 201,767	\$ -	\$ 201,767
Lease liabilities	3,249	4,701	7,950
Other payables	<u>469,327</u>	<u>-</u>	<u>469,327</u>
	<u>\$ 674,343</u>	<u>\$ 4,701</u>	<u>\$ 679,044</u>

25. TRANSACTIONS WITH RELATED PARTIES

- a. The name of the company and its relationship with the Company

Company	Relationship
YFY Packaging Inc.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
YFY Development Corp.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Corporate Advisory and Services Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary

(Continued)

Company	Relationship
Yuen Foong Yu Biotech Co., Ltd.	Associate
SinoPac Securities Corporation	Associate
Yuen Foong Paper Co., Ltd.	Associate
Yuen Foong Shop CO., Ltd.	Associate
SHIN FOONG TRADING SDN. BHD.	Subsidiary
Hsin-Yi Enterprise Co., Ltd.	Substantial related party
	(Concluded)

b. Operating revenue

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2022	2021
Sale of goods	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 228,545	\$ 258,230
	Others	<u>25,635</u>	<u>38,560</u>
		<u>\$ 254,180</u>	<u>\$ 296,790</u>

Parts of item of the Company that was not sold to unrelated parties; therefore, the price of items was incomparable to those items sold to related parity. Other item's prices were slightly lower than unrelated parties due to bulk sales but the difference is not significant. The terms of receivable for related parties were 120 days of monthly settlement, and unrelated parties were prepayment or 1-4 months of monthly settlement.

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 4,031</u>	<u>\$ 2,773</u>

The purchase price from related parties were not significantly different from unrelated parties. And the payment terms were 1 to 3 months of monthly settlement, which were not significantly different from unrelated parties.

d. Accounts receivable from related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Accounts receivable from related parties	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 105,400	\$ 120,809
	Others	<u>7,510</u>	<u>15,729</u>
		<u>\$ 112,910</u>	<u>\$ 136,538</u>

No guarantees have been received for accounts receivable and other receivable from related parties. No expenses have been recognized for the years ended December 31, 2022 and 2021 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Other payable	Fellow subsidiaries	\$ 4,538	\$ 1,473
	Subsidiary	1,228	2,214
	Associates	104	55
	Substantial related party	<u>93</u>	<u>78</u>
		<u>\$ 5,963</u>	<u>\$ 3,820</u>

The outstanding accounts payable to related parties and other payable to related parties were unsecured.

f. Prepayment

Related Party Type/Name	December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 780</u>	<u>\$ 687</u>

g. Leases

Lease Expense	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 360</u>	<u>\$ -</u>
Substantial related party	<u>\$ 788</u>	<u>\$ 356</u>

In January 2022, the Company leased the laboratory from its fellow subsidiary for 12 months, and the rent was NT\$30 thousand per month.

The Company leased an office from its substantial related party for 12 months, and the rent was NT\$66 thousand per month.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 31,368	\$ 85,695
Post-employment benefits	<u>560</u>	<u>572</u>
	<u>\$ 31,928</u>	<u>\$ 86,267</u>

i. Other transactions of related parties

The Company signed an administrative service contract with a fellow subsidiary to provide administrative support, product-related R&D and testing services. The related expenses were NTD\$8,083 thousand and NT\$11,737 thousand for the years ended December 31, 2022 and 2021, respectively, which were included in the operating and manufacturing expenses.

The Company signed a contract for service with subsidiary to provide technical services such as market information and business of latex in Southeast Asia. The related expenses were NTD\$8,047 thousand and NT\$18,640 thousand for the years ended December 31, 2022 and 2021, respectively, which were included in the operating expenses.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments of the Company as of December 31, 2022 were as follows:

- a. The Company signed commitments for the acquisition of property, plant and equipment amounted to NT\$288,576 thousand, of which NT\$100,889 thousand was unrecognized.
- b. Unused letters of credit for purchases of raw materials amounted to approximately NT\$38,700 thousand and EUR\$2,055 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate(\$)	Carrying Amount (In Thousands)
<hr/> December 31, 2022 <hr/>			
Monetary financial assets			
USD	\$ 6,098	30.71 (USD:NTD)	\$ 187,263
JPY	377	0.2324 (JPY:NTD)	88
EUR	\$ 1,047	32.72 (EUR:NTD)	\$ 34,273
Non-monetary financial assets			
Investment accounted for using equity method			
USD	360	30.71 (USD:NTD)	11,067
Monetary financial liabilities			
USD	40	30.71 (USD:NTD)	1,228
<hr/> December 31, 2021 <hr/>			
Monetary financial assets			
USD	4,202	27.68 (USD:NTD)	116,310
JPY	11,621	0.2405 (JPY:NTD)	2,795
EUR	2,594	31.32 (EUR:NTD)	81,234
Non-monetary financial assets			
Investment accounted for using equity method			
USD	366	27.68 (USD:NTD)	10,132
Monetary financial liabilities			
USD	238	27.68 (USD:NTD)	6,585

For the years ended December 31, 2022 and 2021, net foreign exchange gains were NT\$29,168 thousand and losses were NT\$49,440 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 5)

c. Information on investments in mainland China (None)

d. Major shareholder information: names of shareholders holding more than 5% of the shares, amount and proportion of shares held (Table 6)

29. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

TABLE 1

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Beneficiary certificates							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,115,690.20	\$ 44,008		\$ 44,008	
	PIMCO GIS Total Return Bond Fund-E Class	-	Financial assets at fair value through profit or loss - current	218,899.205	75,089		75,089	
					<u>\$ 119,097</u>		<u>\$ 119,097</u>	
	Ordinary Shares							
	SinoPac Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	22,110,054	\$ 370,343	0.19	\$ 370,343	
	Foongtone Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,884,415	68,465	11.78	68,465	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	271,708	10,868	0.00	10,868	
	Preference Share							
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,292,000	198,837	0.55	198,837	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,329,000	188,421	0.40	188,421	
	Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,925,000	202,530	0.79	202,530	
	WPG Holdings Corporation	-	Financial assets at fair value through other comprehensive income - non-current	874,000	42,827	0.44	42,827	
	Yulon Finance Corporation	-	Financial assets at fair value through other comprehensive income - non-current	605,000	30,428	0.65	30,428	
					<u>\$ 1,112,719</u>		<u>\$ 1,112,719</u>	

TABLE 2**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE YEAR ENDED DECEMBER 31, 2022****(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain on Disposal	Shares/Units	Amount
The Company	SinoPac TWD Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	34,899,171.50	\$ 490,236	38,667,222.6	\$ 544,000	70,450,703.9	\$ 991,298	\$ 990,000	\$ 1,298	3,115,690.2	\$ 44,008
	Mega Diamond Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	31,575,235.95	400,298	51,229,668.52	650,000	82,804,904.47	1,051,509	1,050,000	1,509	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	15,236,098.50	250,171	-	-	15,236,098.50	250,958	250,000	958	-	-

TABLE 3

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Chung Hwa Pulp Corporation	Fellow subsidiary	Sale	\$ 228,545	13.4	120 days of monthly settlement	Refer to Note 25	Refer to Note 25	\$ 105,400	51.7	

TABLE 4

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Chung Hwa Pulp Corporation	Fellow Subsidiary	\$ 105,400	2.02	\$ -	-	\$ 43,806	\$ -

TABLE 5

SHIN FOONG SPECIALTY &APPLIED MATERIALS CO., LTD

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021						
Shin Foong Specialty & Applied Material Co., Ltd.	Shin Foong Trading SdN Bhd.	Malaysia	Trading of synthetic latex and industrial chemicals	\$ 10,568	\$ 10,568	1,500,000	100.00	\$ 11,067	\$ (169)	\$ (169)	

TABLE 6**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MAJOR SHAREHOLDER INFORMATION
DECEMBER 31, 2022**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
YFY Inc.	50,968,248	48.00

Note: The information of major shareholder presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholder with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

THE CONTENT OF STATEMENT OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Statement of Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Statement 1
Statement of financial assets at fair value through profit or loss - current	Note 7
Statement of financial assets at amortized cost - current	Note 9
Statement of notes receivable	Statement 2
Statement of accounts receivable	Statement 3
Statement of inventories	Statement 4
Statement of prepayments	Statement 5
Statement of financial assets at fair value through other comprehensive income – non-current	Statement 6
Statement of investments accounted for using the equity method	Statement 7
Statement of changes in property, plant and equipment	Note 13
Statement of changes in accumulated depreciation of property, plant and equipment	Note 13
Statement of changes in right-of-use assets	Statement 8
Statement of deferred income tax assets	Note 21
Statement of other non-current assets	Statement 9
Statement of accounts payables	Statement 10
Statement of other payables	Note 16
Refund liabilities	Note 10
Statement of deferred income tax liabilities	Note 21
Statement of lease liabilities	Statement 11
Statement of Profit and Loss	
Statement of operating revenue	Statement 12
Statement of operating costs	Statement 13
Statement of operating expenses	Statement 14
Statement of non- operating income and expenses	Note 20
Statement of finance costs	Note 20
Statement of employee benefits expense, depreciation and amortization by function	Statement 15

STATEMENT 1**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Amount
Cash in banks	
TWD deposits	
Checking deposits	\$ 17
Demand deposits	10,696
Foreign deposits (Note)	
US\$141 thousand and JPY\$377 thousand	4,411
Cash Equivalents	
Time deposits (Note)	
TWD	
The ranges of annual interest rates were 0.83% ~	
1.40%, January 10, 2023 and March 27, 2023	229,000
EUR\$1,047 thousand	
The ranges of annual interest rates were 0.20%,	
January 30, 2023	34,271
Cash on hand	14
	<u>\$ 278,409</u>

Note: USD is translated at exchange rate of USD\$1=TWD\$30.71.

EUR is translated at exchange rate of EUR\$1=TWD\$32.72.

JPY is translated at exchange rate of JPY\$1=NTD\$0.2324.

STATEMENT 2

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Client Name	Amount	Note
Client A	\$ 6,416	Sales of goods
Client B	1,413	Sales of goods
Other (Note)	<u>314</u>	Sales of goods
	<u>\$ 8,143</u>	

Note: The amount included in others does not exceed 5% of the account balance.

STATEMENT 3

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Unrelated parties		
Client C	\$ 31,059	Sales of goods
Client D	25,284	Sales of goods
Client E	21,214	Sales of goods
Client F	18,887	Sales of goods
Client G	14,868	Sales of goods
Client H	5,403	Sales of goods
Other (Note)	<u>11,908</u>	Sales of goods
	128,623	
Allowance for impairment loss	<u>45,874</u>	
	<u>\$ 82,749</u>	
Related parties		
Chung Hwa Pulp Corporation	\$ 105,400	Sales of goods
YFY Packaging Inc.	<u>7,510</u>	Sales of goods
	<u>\$ 112,910</u>	

Note: The amount included in others does not exceed 5% of the account balance.

STATEMENT 4

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Amount	
	Cost (Note 1)	Net Realizable Value (Note 2)
Raw materials	\$ 141,908	\$ 141,908
Supplies	1,784	1,784
Work in process	5,151	6,317
Finished goods	<u>103,376</u>	<u>132,688</u>
	<u>\$ 252,219</u>	<u>\$ 282,697</u>

Note 1: Write-downs of inventories for the year ended December 31, 2022.

Note 2: The net realizable value refers to Note 4.

STATEMENT 5

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Office supplies	\$ 33,902
Prepaid expenses	7,509
Overpaid sales tax	<u>961</u>
	<u>\$ 42,372</u>

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

	Balance, January 1, 2022		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Unrealized gain or loss on financial instrument	Balance, December 31, 2022		Collateral	Other Notes
	Shares	Amount	Acquired Shares	Amount	Shares	Amount		Shares	Fair Value		
Ordinary Shares - listed company											
SinoPac Financial Holdings Co., Ltd.	21,891,143	\$ 353,542	218,911	\$ -	-	\$ -	\$ 16,801	22,110,054	\$ 370,343	Nil	
Cathay Financial Holding Co., Ltd.	-	-	271,708	9,509	-	-	1,359	271,708	10,868	Nil	
Ordinary Shares - unlisted company											
Foongtone Technology Co., Ltd.	2,884,415	74,023	-	-	-	-	(5,558)	2,884,415	68,465	Nil	
Preference Share- listed company											
Fubon Financial Holding Co., Ltd.	-	-	3,293,000	201,028	1,000	63	(2,128)	3,292,000	198,837	Nil	
Cathay Financial Holding Co., Ltd.	-	-	3,329,000	200,981	-	-	(12,560)	3,329,000	188,421	Nil	
Taishin Financial Holding Co., Ltd.	-	-	3,925,000	200,977	-	-	1,553	3,925,000	202,530	Nil	
WPG Holdings Corporation	-	-	874,000	42,187	-	-	640	874,000	42,827	Nil	
Yulon Finance Corporation	-	-	605,000	30,426	-	-	2	605,000	30,428	Nil	
		<u>\$ 427,565</u>		<u>\$ 685,108</u>		<u>\$ 63</u>	<u>\$ 109</u>		<u>\$ 1,112,719</u>		

Note 1: Acquisition of financial assets at fair value through other comprehensive income and dividends received.

Note 2: Proceeds from disposal of financial assets at fair value through other comprehensive income.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name and Type of Securities	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Balance, December 31, 2022			Net Assets Value		
	Shares	Amount	Acquired Shares	Amount	Shares	Amount	Shares	Percentage of Ownership		Unite Price	Total Amount	Collateral
								(%)	Amount			
SHIN FOONG TRADING SDN. BHD.	1,500,000	<u>\$10,132</u>	-	<u>\$ 1,104</u> (Note 1)	-	<u>(\$ 169)</u> (Note2)	1,500,000	100	<u>\$11,067</u>	\$7.38	<u>\$11,067</u>	Nil

Note 1: Including exchange differences arising on translating the financial statements of foreign operations.

Note 2: The share of loss of subsidiary for using equity method.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2022	Addition	Deduction	Balance at December 31, 2022	Note
Cost					
Buildings	\$ 12,902	\$ -	\$ 7,105	\$ 5,797	
Transportation equipment	7,543	2,146	2,756	6,933	
Other equipment	<u>1,362</u>	<u>1,806</u>	<u>1,246</u>	<u>1,922</u>	
	<u>21,807</u>	<u>\$ 3,952</u>	<u>\$ 11,107</u>	<u>14,652</u>	
Accumulated depreciation					
Buildings	7,265	\$ 1,933	\$ 7,105	2,093	
Transportation equipment	5,491	1,655	2,756	4,390	
Other equipment	<u>1,241</u>	<u>358</u>	<u>1,216</u>	<u>383</u>	
	<u>13,997</u>	<u>\$ 3,946</u>	<u>\$ 11,077</u>	<u>6,866</u>	
	<u>\$ 7,810</u>			<u>\$ 7,786</u>	

STATEMENT 9

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**STATEMENT OF OTHER NON-CURRENT ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2022	Addition	Deduction	Balance at December 31, 2022
Unamortized expense	\$ 8,810	\$ -	\$ -	\$ 8,810
Accumulated amortization	(6,829)	(\$ 823)	\$ -	(7,652)
	<u>\$ 1,981</u>			<u>\$ 1,158</u>

Note: Balance at January 1, 2022 item refers to software.

STATEMENT 10

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	\$ 6,227
Company B	4,131
Company C	3,553
Company D	3,028
Company E	2,875
Company F	2,136
Company G	1,764
Company H	1,684
Other (Note)	<u>7,289</u>
	<u>\$ 32,687</u>

Note: The amount included in others does not exceed 5% of the account balance.

STATEMENT 11**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Lease Terms	Discount Rate (%)	Balance at December 31, 2022	Note
Buildings	110.12.01~113.11.30	1.1	\$ 3,727	
Transportation equipment	108.05.02~114.10.03	1.1~1.496	2,320	
Other equipment	109.10.01~116.02.01	1.1	<u>1,547</u>	
			7,594	
Less: Current			<u>3,614</u>	
Lease liabilities – non-current			<u>\$ 3,980</u>	

STATEMENT 12

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**STATEMENT OF OPERATEING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Quantity(tons)	Amount
Sales revenue		
Synthetic latex	41,697	\$ 1,677,361
Other		<u>52,168</u>
		1,729,529
Sales discounts and allowances		(<u>26,966</u>)
Net operating revenue		<u>\$ 1,702,563</u>

STATEMENT 13**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF OPERATEING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount (Note)
Raw materials, beginning of year	\$ 95,055
Material purchased	725,933
Raw materials, end of year	(141,908)
Other	(63,834)
Direct raw materials consumed	<u>615,246</u>
Supplies, beginning of year	1,971
Supplies purchased	29,303
Supplies, end of year	(1,784)
Other	<u>231</u>
Direct raw supplies consumed	<u>29,721</u>
Direct labor	15,615
Manufacturing expenses	<u>87,255</u>
Manufacturing cost	747,837
Work in process, beginning of year	13,261
Finished goods, end of year	(5,151)
Finished goods cost	755,947
Finished goods, beginning of year	330,865
Finished goods purchased	25
Finished goods, end of year	(103,376)
Other	(210)
Cost of goods sold	983,251
Loss on idle capacity	244,166
Other	<u>45,759</u>
Operating costs	<u>\$ 1,273,176</u>

Note: Write-downs of inventories in the beginning and at the end of the year.

STATEMENT 14**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF OPERATEING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected credit loss (gain)	Total
Salary expense (pension included)	\$ 8,827	\$ 27,446	\$ 13,642	\$ -	\$ 49,915
Freight	52,844	-	-	-	52,844
Packing expenses	22,279	-	-	-	22,279
Export expense	10,512	-	-	-	10,512
Service fees	9,362	8,720	7,369	-	25,451
Depreciation expense	140	14,357	6,916	-	21,413
Insurance expense	3,286	4,902	1,391	-	9,579
Uncollectible accounts	-	-	-	10,814	10,814
Rent expense	515	2,011	363	-	2,889
Entertainment expense	844	450	-	-	1,294
Travelling expense	952	648	99	-	1,699
Other	<u>3,713</u>	<u>15,149</u>	<u>3,153</u>	<u>-</u>	<u>22,015</u>
	<u>\$ 113,274</u>	<u>\$ 73,683</u>	<u>\$ 32,933</u>	<u>\$ 10,814</u>	<u>\$ 230,704</u>

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment expense						
Salary expense	\$ 87,128	\$ 41,719	\$ 128,847	\$ 237,393	\$ 168,477	\$ 405,870
Insurance expense	9,525	7,031	16,556	10,331	6,634	16,965
Pension expense	4,419	2,422	6,841	4,853	2,328	7,181
Compensation for directors	-	5,774	5,774	-	26,673	26,673
Other	6,083	2,776	8,859	10,260	4,370	14,630
	<u>\$ 107,155</u>	<u>\$ 59,722</u>	<u>\$ 166,877</u>	<u>\$ 262,837</u>	<u>\$ 208,482</u>	<u>\$ 471,319</u>
Depreciation expense	\$ 123,327	\$ 21,413	\$ 144,740	\$ 119,986	\$ 20,944	\$ 140,930
Amortization	583	240	823	6,986	1,977	8,963

Note 1 : As of December 31, 2022, and 2021, the company had 206 and 209 employees in average, including 6 board of directors who were not classified as employees in both years.

Note 2 : Additional disclosures are as following:

- For the year ended December 31, 2022, the average employment benefit expense was \$806 thousand.
For the year ended December 31, 2021, the average employment benefit expense was \$2,190 thousand.
- For the year ended December 31, 2022, the average salary expense was \$644 thousand.
For the year ended December 31, 2021, the average salary expense was \$1,999 thousand.
- Average salary adjustment was -67.78%.
- The Company did not have supervisions.

(Continued)

5. The Company uses salary surveys to measure the salary level of employment and Macroeconomic Index to adjust the overall salary policy, determined to attract and retain talents. In addition to annual salary adjustments and the comprehensive promotion system, various incentive systems are formulated to encourage outstanding employees. According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 2% respectively of net profit before income tax. The remuneration policy refers to Article 26 "When the Board of Directors execute their duties, compensation may be paid to the directors no matter the Company gained profit or not. The Board of Directors shall be authorized to determine their compensation according to their participation in the operation of the Company and their contribution to the Company, as well as the standards adopted by the industry." The annual salary of the Company's manager includes salary, bonuses and employee compensation. The salary is based on the industry condition, considering the reasonableness of the Company's operating performance, personal performance and future risks. The manager's salary is submitted to the Salary and Remuneration Committee for review and approval according to the law.

(Concluded)

**Shin Foong Specialty & Applied Materials
Co., Ltd. and Subsidiary**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Shin Foong Specialty & Applied Materials Co., Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Shin Foong Specialty & Applied Materials Co., Ltd. and subsidiary did not prepare a separate set of combined financial statements.

Very truly yours,

Shin Foong Specialty & Applied Materials Co., Ltd.

By

Chih-Min Hsu
Chairman

February 21, 2023

INDEPENDENT AUDITORS' REPORT

Shin Foong Specialty & Applied Materials Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shin Foong Specialty & Applied Materials Co., Ltd. (the "Corporation") and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiary as of December 31, 2022 and 2021, their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation and its subsidiary's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

The sales price of the products of the Corporation and its subsidiary continued to be revised down in line with the easing of the Covid-19 pandemic and the decline in terminal market demand this year. Sales revenue also downturn significantly. However, the contract pricing that the Corporation and its subsidiary previously signed with a specific customer failed to reflect market conditions in time, with the sales from specific customer accounted for 36% of total sales revenue. Therefore, the accuracy of revenues from specific customer should be highly focused. Refer to Notes 4 and 19 to the consolidated financial statements for the related disclosures on sales revenue.

The key audit procedures that we performed in respect of the specific customer sales revenue included the following:

1. We understood and tested the effectiveness of the design and implementation of the sales revenue and accounting estimates of internal controls.
2. We tested the sales details of specific customer, including examination of the quotations, shipping documents, bill of lading, cash collection receipts and price documents of settled bilateral.
3. We obtained subsequent details of sales returns and allowances and checked whether there were any material and unusual sales returns and allowances existed.

Other Matter

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation and its subsidiary's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiary's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiary to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation and its subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2023

Notice to Readers

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

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 293,593	4	\$ 231,782	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	119,097	2	1,223,021	14
Financial assets at amortized cost - current (Notes 4 and 9)	1,876,981	29	3,550,200	41
Note receivables (Notes 10 and 19)	8,143	-	13,858	-
Accounts receivable, net (Notes 4, 5, 10 and 19)	82,749	1	58,105	1
Accounts receivable - related parties (Notes 4, 10, 19 and 25)	112,910	2	136,538	1
Other receivables	2,941	-	16,243	-
Current tax assets (Note 21)	230	-	153	-
Inventories (Notes 4 and 11)	252,219	4	441,152	5
Prepayments (Note 25)	42,373	1	52,278	1
Other current assets	1,020	-	-	-
Total current assets	2,792,256	43	5,723,330	66
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,112,719	17	427,565	5
Property, plant and equipment (Notes 4, 13 and 26)	2,515,707	39	2,530,865	29
Right-of-use assets (Notes 4 and 14)	8,401	-	8,024	-
Deferred tax assets (Notes 4 and 21)	29,016	1	31,525	-
Prepayments for business facilities	7,136	-	7,397	-
Refundable deposits	981	-	923	-
Net defined benefit assets (Notes 4 and 17)	13,244	-	-	-
Other non-current assets	1,158	-	1,981	-
Total non-current assets	3,688,362	57	3,008,280	34
TOTAL ASSETS	<u>\$ 6,480,618</u>	<u>100</u>	<u>\$ 8,731,610</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 53,764	1	\$ 48,126	1
Accounts payable (Note 15)	32,687	1	201,767	2
Other payables (Notes 16 and 25)	283,127	4	481,684	6
Current tax liabilities (Note 21)	116,864	2	626,444	7
Lease liabilities - non-current (Notes 4 and 14)	3,971	-	3,379	-
Refund liabilities - current (Notes 4 and 10)	24,634	-	-	-
Other current liabilities	1,147	-	1,082	-
Total current liabilities	516,194	8	1,362,482	16
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	3,543	-	532	-
Lease liabilities - non-current (Notes 4 and 14)	4,214	-	4,652	-
Net defined benefit liabilities (Notes 4 and 17)	-	-	928	-
Total non-current liabilities	7,757	-	6,112	-
Total liabilities	523,951	8	1,368,594	16
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 18 and 23)				
Ordinary shares	1,061,741	16	1,061,741	12
Capital surplus	749,234	12	749,234	9
Retained earnings				
Legal reserve	1,138,303	17	790,773	9
Unappropriated earnings	2,824,191	44	4,579,283	52
Total retained earnings	3,962,494	61	5,370,056	61
Other equity	183,198	3	181,985	2
Total equity	5,956,667	92	7,363,016	84
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,480,618</u>	<u>100</u>	<u>\$ 8,731,610</u>	<u>100</u>

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 19 and 25)	\$ 1,702,563	100	\$ 8,161,714	100
OPERATING COSTS (Notes 11, 20 and 25)	<u>1,273,176</u>	<u>75</u>	<u>3,236,563</u>	<u>39</u>
GROSS PROFIT FROM OPERATIONS	<u>429,387</u>	<u>25</u>	<u>4,925,151</u>	<u>61</u>
OPERATING EXPENSES (Notes 10, 20 and 25)				
Selling and marketing expenses	107,946	6	299,521	4
General and administrative expenses	78,991	5	201,428	2
Research and development expenses	32,933	2	60,566	1
Expected credit loss (gain)	<u>10,814</u>	<u>-</u>	<u>(2,536)</u>	<u>-</u>
Total operating expenses	<u>230,684</u>	<u>13</u>	<u>558,979</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>198,703</u>	<u>12</u>	<u>4,366,172</u>	<u>54</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	27,447	2	18,999	-
Other income	37,889	2	28,338	1
Other gains and losses	25,963	1	(53,667)	(1)
Finance costs	<u>(298)</u>	<u>-</u>	<u>(649)</u>	<u>-</u>
Total non-operating income and expenses	<u>91,001</u>	<u>5</u>	<u>(6,979)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	289,704	17	4,359,193	54
INCOME TAX (Notes 4 and 21)	<u>114,711</u>	<u>7</u>	<u>882,807</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>174,993</u>	<u>10</u>	<u>3,476,386</u>	<u>43</u>
OTHER COMPREHENSIVE INCOME (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	12,571	1	(1,364)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	109	-	104,939	1

(Continued)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (2,514)	-	\$ 273	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,104	-	(279)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>11,270</u>	<u>1</u>	<u>103,456</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 186,263</u>	<u>11</u>	<u>\$ 3,579,842</u>	<u>44</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 174,993</u>	<u>-</u>	<u>\$ 3,476,386</u>	<u>43</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 186,263</u>	<u>-</u>	<u>\$ 3,579,842</u>	<u>44</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.65</u>		<u>\$ 32.74</u>	
Diluted	<u>\$ 1.65</u>		<u>\$ 32.60</u>	

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital - Ordinary Shares	Capital Surplus	Legal Reserve	Retained Earnings		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Other Equity		Total Equity
				Unappropriated Earnings	Total		Exchange Differences on Translating Foreign Operations	Total	
BALANCE AT JANUARY 1, 2021	\$ 1,061,241	\$ 748,849	\$ 613,402	\$ 2,343,100	\$ 2,956,502	\$ 77,892	\$ (454)	\$ 77,438	\$ 4,844,030
Appropriation of 2020 earnings (Note 18)									
Legal reserve	-	-	177,371	(177,371)	-	-	-	-	-
Cash dividends	-	-	-	(1,061,741)	(1,061,741)	-	-	-	(1,061,741)
	-	-	177,371	(1,239,112)	(1,061,741)	-	-	-	(1,061,741)
Net profit for the year ended December 31, 2021	-	-	-	3,476,386	3,476,386	-	-	-	3,476,386
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	(1,091)	(1,091)	104,939	(392)	104,547	103,456
Total comprehensive income for the year ended December 31, 2021	-	-	-	3,475,295	3,475,295	104,939	(392)	104,547	3,579,842
Share-based payment (Notes 18 and 23)	500	385	-	-	-	-	-	-	885
BALANCE AT DECEMBER 31, 2021	1,061,741	749,234	790,773	4,579,283	5,370,056	182,831	(846)	181,985	7,363,016
Appropriation of 2021 earnings (Note 18)									
Legal reserve	-	-	347,530	(347,530)	-	-	-	-	-
Cash dividends	-	-	-	(1,592,612)	(1,592,612)	-	-	-	(1,592,612)
	-	-	347,530	(1,940,142)	(1,592,612)	-	-	-	(1,592,612)
Net profit for the year ended December 31, 2022	-	-	-	174,993	174,993	-	-	-	174,993
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	10,057	10,057	109	1,104	1,213	11,270
Total comprehensive income for the year ended December 31, 2022	-	-	-	185,050	185,050	109	1,104	1,213	186,263
BALANCE AT DECEMBER 31, 2022	\$ 1,061,741	\$ 749,234	\$ 1,138,303	\$ 2,824,191	\$ 3,962,494	\$ 182,940	\$ 258	\$ 183,198	\$ 5,956,667

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 289,704	\$ 4,359,193
Adjustments for:		
Depreciation expense	145,124	141,422
Amortization expense	823	8,963
Expected credit loss recognized (reversed)	10,814	(2,536)
Net gain on financial assets and liabilities at fair value through profit or loss	4,046	(928)
Finance costs	298	649
Interest income	(27,447)	(18,999)
Dividend income	(37,855)	(28,304)
Loss on disposal of property, plant and equipment	18	-
Impairment loss recognized on non-financial assets	6,245	2,159
Loss on idle capacity	244,166	67,009
Others	25,047	145
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	113	7,099
Notes receivable	5,715	(1,387)
Accounts receivable	(35,458)	92,251
Accounts receivable - related parties	23,628	(46,029)
Other receivables	14,294	(13,877)
Inventories	(61,315)	(199,000)
Prepayments	9,330	15,818
Other current assets	(1,020)	271
Net defined benefit assets	(673)	439
Contract liabilities	5,638	(10,221)
Notes payable	-	(14)
Accounts payable	(169,080)	(159,157)
Other payables	(185,981)	208,979
Other current liabilities	65	61
Net defined benefit liabilities	(928)	(436)
Cash generated from operations	265,311	4,423,570
Interest received	26,455	17,700
Dividends received	37,855	28,304
Interest paid	(312)	(648)
Income taxes paid	(621,362)	(645,451)
Net cash generated from (used in) operating activities	(292,053)	3,823,475

(Continued)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (685,108)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	63	-
Acquisition of financial assets at amortized cost	(2,456,981)	(3,540,300)
Proceeds from disposal of financial assets at amortized cost	4,130,200	1,593,900
Acquisition of financial assets at fair value through profit or loss	(1,194,000)	(2,265,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,293,765	1,856,107
Acquisition of property, plant and equipment	(137,955)	(781,001)
Increase in refundable deposits	(58)	-
Decrease in refundable deposits	-	493
Acquisition of software	-	(2,470)
Net cash generated from (used in) investing activities	<u>1,949,926</u>	<u>(3,138,271)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits refunded	-	(3,964)
Repayment of principal of lease liabilities	(4,551)	(4,761)
Cash dividends paid	(1,592,612)	(1,061,741)
Proceeds from share options exercised	-	885
Net cash used in financing activities	<u>(1,597,163)</u>	<u>(1,069,581)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1,101</u>	<u>(277)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,811	(384,654)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>231,782</u>	<u>616,436</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 293,593</u>	<u>\$ 231,782</u>

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

The Corporation was invested by parent company the YFY Inc. (holds 48% shares) and established in July 1979. It mainly manufactures and sells synthetic latex and adhesives.

The shares of the Corporation were listed on the Taiwan Stock Exchange in June 2017.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors and authorized for issue on February 21, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation and its subsidiary's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiary have assessed that the application of other standards and interpretations will not have a material impact on the Corporation and its subsidiary's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

As of the date the consolidated financial statements were authorized for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiary's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

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 IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined liabilities (assets) which are measured at present value of the defined benefit obligation less the fair value of plan assets (liabilities).

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within twelve months after the reporting period even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as abovementioned are classified as noncurrent.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiary). Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements.

Refer to Note 12 and Table 6 for more information on subsidiary (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the

retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation's entities (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation.

Properties in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Property, plant and equipment depreciated in straight-line depreciation method. For each major part of property, plant and equipment recognized depreciation separately. The Corporation and its subsidiary review estimating useful life, residual value, and depreciation method, at a minimum, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

Software

a. Software acquired separately

Software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of software

On derecognition of software, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Software

The Corporation and its subsidiary evaluate if there are any signs of impairment of property, plant and equipment, right-of-use assets, and software on each date of balance sheet. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Corporation and its subsidiary will instead estimate recoverable amounts for the cash generating unit that the asset belong. The recoverable amount of corporate assets is allocated to individual or the smallest identifiable cash generating unit with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "value in use." If the recoverable amount of an individual asset or cash generating unit is expected to be lower than its book value, the Corporation will reduce the book value of the asset or cash generating unit down to the recoverable amount and recognize impairment loss to profit and loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization or depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation and its subsidiary become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial asset at FVTPL

Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other gains or losses, respectively. Fair value is determined in the manner described in Note 24.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties) at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Foreign currency exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when the issuer or the borrower has significant financial difficulty; or breach of contract, such as a default; or it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation and its subsidiary may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation and its subsidiary's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Corporation and its subsidiary recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes and accounts receivable).

The Corporation and its subsidiary always recognize lifetime expected credit loss (ECL) for notes and accounts receivable. For other financial assets, the Corporation and its subsidiaries recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company and Subsidiary may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- a) There is internal or external information showing that the debtor is no longer able to repay debts.
- b) More than 181 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the allowance account.

3) Derecognition of financial assets

The Corporation and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Corporation and its subsidiary are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Corporation and its subsidiary enter into foreign exchange forward contracts to manage their exposure to foreign exchange rate and interest rate.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Refund Liabilities

Estimated discount or other allowances of the consideration are recognized as refund liabilities.

Revenue Recognition

The Corporation and its subsidiary identify contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

Revenue and accounts receivable are recognized when the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and the control of products is transferred to customers (export, when products are crossed the shipboard or arrived; domestic, when products are delivered). Transaction price received is recognized as a contract liability.

Leases

At the inception of a contract, the Corporation and its subsidiary assess whether the contract is, or contains, a lease.

When the Corporation and its subsidiary as lessee, they recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation and its subsidiary use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, an index or a rate used to determine those payments, the Corporation and its subsidiary remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets.

However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (assets) represents the actual deficit (surplus) in the Corporation and its subsidiary's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation and its subsidiary's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Corporation and its subsidiary revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Taxation

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

Current tax

The Corporation and its subsidiary's income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, the current and deferred tax are recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation and its subsidiary consider the possible impact of the recent development of the COVID-19 in Taiwan when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty

a. Estimating impairment of financial assets

The provision for impairment of account receivables is based on assumptions about probability of default and loss given default ratio. The Corporation and its subsidiary use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation and its subsidiary's historical experience and existing market conditions. Refer to the Note 10 for the important assumptions. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. The estimating impairment loss of property, plant and equipment

Impairment of equipment in relation to the production is evaluated based on the recoverable amount of the assets. Any changes in the market prices, future cash flows or discount rates will affect the recoverable amount of the assets and may lead to the recognition of additional impairment losses. Furthermore, the estimates of cash flows, growth rates and discount rates are subject to higher degree of estimation uncertainties due to the uncertain impact and volatility in markets caused by the COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 14	\$ 72
Checking accounts and demand deposits	30,308	231,710
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>263,271</u>	<u>-</u>
	<u>\$ 293,593</u>	<u>\$ 231,782</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	
	2022	2021
<hr/> Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 458
Non-derivatives financial assets		
Mutual funds	<u>119,097</u>	<u>1,222,563</u>
	<u>\$ 119,097</u>	<u>\$ 1,223,021</u>

At the end of the reporting period, outstanding foreign exchange forward contracts accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<hr/> December 31, 2021			
Sell	USD/NTD	2022.01.03-2022.01.17	USD3,700/NTD102,777

The Corporation and its subsidiary entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these forward exchange contracts.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

	December 31	
	2022	2021
Domestic investment		
Listed shares	\$ 1,044,254	\$ 353,542
Unlisted shares	<u>68,465</u>	<u>74,023</u>
	<u>\$ 1,112,719</u>	<u>\$ 427,565</u>

These investments in equity instruments are held for operating strategies and are not held for trading or short-term profit. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Current		
Time deposit with original maturities of more than 3 months	<u>\$ 1,876,981</u>	<u>\$ 3,550,200</u>

The ranges of annual interest rates for time deposit with original maturities of more than 3 months were 1.40%-4.78% and 0.27%-0.77%, respectively, as at the end of the reporting period.

10. NOTES AND ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

	December 31	
	2022	2021
Notes receivable (operating)		
At amortized cost	<u>\$ 8,143</u>	<u>\$ 13,858</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$ 128,623	\$ 93,165
Allowance for impairment loss	<u>45,874</u>	<u>35,060</u>
	<u>\$ 82,749</u>	<u>\$ 58,105</u>
Accounts receivables - related parties		
At amortized cost	<u>\$ 112,910</u>	<u>\$ 136,538</u>

The average credit period of sales of goods is 30-120 days. In order to minimize credit risk, the management of the Corporation and its subsidiary has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation and its subsidiary reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation and its subsidiary's credit risk was significantly reduced.

The Corporation and its subsidiary measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

The estimate of refund liabilities for expected sales return and discounts was based on the judgment of the Corporation and its subsidiary's management. It was recognized as the deduction of operating revenue in the current year when relevant products were sold. Refund liabilities recognized were NT\$24,634 thousand as of December 31, 2022 (listed as the individual assessment as the following table).

The following table details the loss allowance of notes and accounts receivable.

2022

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 136,925	\$ 1,205	\$ -	\$ 37,768	\$ 73,778	\$ 249,676
Loss allowance	<u>(132)</u>	<u>(121)</u>	<u>-</u>	<u>(37,768)</u>	<u>(7,853)</u>	<u>(45,874)</u>
Amortized cost	<u>\$ 136,793</u>	<u>\$ 1,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,925</u>	<u>\$ 203,802</u>

2021

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 190,658	\$ 15,134	\$ 4,866	\$ 32,903	\$ -	\$ 243,561
Loss allowance	<u>(395)</u>	<u>(303)</u>	<u>(1,459)</u>	<u>(32,903)</u>	<u>-</u>	<u>(35,060)</u>
Amortized cost	<u>\$ 190,263</u>	<u>\$ 14,831</u>	<u>\$ 3,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,501</u>

The movements of the loss allowance of notes receivable and accounts receivable (including related parties) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 35,060	\$ 37,596
Recognition (written off)	<u>10,814</u>	<u>(2,536)</u>
Balance at December 31	<u>\$ 45,874</u>	<u>\$ 35,060</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 141,908	\$ 95,055
Supplies	1,784	1,971
Work in progress	5,151	13,261
Finished goods	<u>103,376</u>	<u>330,865</u>
	<u>\$ 252,219</u>	<u>\$ 441,152</u>

The costs of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$1,273,176 thousand and NT\$3,236,563 thousand, respectively, including the following major item.

	For the Year Ended December 31	
	2022	2021
Loss on idle capacity	\$ 244,166	\$ 67,009
Inventory write-downs	<u>\$ 5,670</u>	<u>\$ 1,295</u>

12. SUBSIDIARY

Subsidiary included in the consolidated financial statements:

Investor	Investee	Main Business	Proportion of Ownership (%)	
			December 31	
			2022	2021
SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.	SHIN FOONG TRADING SDN. BHD.	Trading of synthetic latex and industrial chemicals	100	100

13. PROPERTY, PLANT AND EQUIPMENT

2022

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2022	\$ 968,880	\$ 537,607	\$ 1,391,585	\$ 489,292	\$ 4,860	\$ 338,449	\$ 132,281	\$ 3,862,954
Additions	-	19,207	29,179	8,097	-	15,117	54,054	125,654
Disposals	-	-	(3,657)	(248)	-	(1,026)	-	(4,931)
Balance at December 31, 2022	<u>968,880</u>	<u>556,814</u>	<u>1,417,107</u>	<u>497,141</u>	<u>4,860</u>	<u>352,540</u>	<u>186,335</u>	<u>3,983,677</u>
Accumulated depreciation								
Balance at January 1, 2022	-	150,055	732,929	233,842	2,264	212,999	-	1,332,089
Depreciation expense	-	16,837	68,430	30,664	360	24,503	-	140,794
Disposals	-	-	(3,657)	(230)	-	(1,026)	-	(4,913)
Balance at December 31, 2022	<u>-</u>	<u>166,892</u>	<u>797,702</u>	<u>264,276</u>	<u>2,624</u>	<u>236,476</u>	<u>-</u>	<u>1,467,970</u>
Carrying amount at December 31, 2022	<u>\$ 968,880</u>	<u>\$ 389,922</u>	<u>\$ 619,405</u>	<u>\$ 232,865</u>	<u>\$ 2,236</u>	<u>\$ 116,064</u>	<u>\$ 186,335</u>	<u>\$ 2,515,707</u>

2021

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2021	\$ 268,149	\$ 525,606	\$ 1,321,370	\$ 469,618	\$ 2,298	\$ 316,680	\$ 47,147	\$ 2,950,868
Additions	700,731	12,001	70,215	19,932	2,562	22,358	85,134	912,933
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	<u>968,880</u>	<u>537,607</u>	<u>1,391,585</u>	<u>489,292</u>	<u>4,860</u>	<u>338,449</u>	<u>132,281</u>	<u>3,862,954</u>
Accumulated depreciation								
Balance at January 1, 2021	-	133,503	666,890	204,255	2,057	189,529	-	1,196,234
Depreciation expense	-	16,552	66,039	29,845	207	24,059	-	136,702
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	-	<u>150,055</u>	<u>732,929</u>	<u>233,842</u>	<u>2,264</u>	<u>212,999</u>	-	<u>1,332,089</u>
Carrying amount at December 31, 2021	<u>\$ 968,880</u>	<u>\$ 387,552</u>	<u>\$ 658,656</u>	<u>\$ 255,450</u>	<u>\$ 2,596</u>	<u>\$ 125,450</u>	<u>\$ 132,281</u>	<u>\$ 2,530,865</u>

The property, plant and equipment of the Corporation and its subsidiary are depreciated on a straight-line basis over the following useful years:

Buildings

Main structure	15-55 years
Facility	4-55 years

Machinery equipment

Storage tank equipment	7-21 years
Power and computer equipment	5-21 years
Others	5-31 years

Electronic equipment

Power distribution engineering	4-16 years
Lines and pumps	5-21 years

Transportation equipment

5-8 years

Other equipment

Green equipment	3-15 years
Fire equipment	3-26 years
Others	3-21 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	\$ 4,319	\$ 5,851
Transportation equipment	2,543	2,052
Other equipment	<u>1,539</u>	<u>121</u>
	<u>\$ 8,401</u>	<u>\$ 8,024</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ 4,702	\$ 7,689
Depreciation charge for right-of-use assets		
Buildings	\$ 2,317	\$ 2,425
Transportation equipment	1,655	1,933
Other equipment	<u>358</u>	<u>362</u>
	\$ 4,330	\$ 4,720

Except for the depreciation added and recognized above, there was no significant sub-lease and impairment of the Corporation and its subsidiary's right-of-use assets in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	\$ 3,971	\$ 3,379
Non-current	\$ 4,214	\$ 4,652

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.1-3.36	1.1-3.36
Transportation equipment	1.1-1.496	1.12-1.1315
Other equipment	1.1	1.12-1.1315

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	\$ 7,344	\$ 4,327
Total cash outflow for leases	\$ 12,004	\$ 9,155

For the buildings and transportation equipment which qualified as short-term leases and office equipment which qualified as low-value asset leases, the Corporation and its subsidiary have elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. ACCOUNTS PAYABLE

	December 31	
	2022	2021
Accounts payable	\$ 32,687	\$ 201,767

The Corporation and its subsidiary established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

16. OTHER PAYABLES

	December 31	
	2022	2021
Bonus	\$ 138,410	\$ 220,905
Compensation of employees and remuneration of directors	80,158	131,829
Repair fees	5,011	24,148
Employee travel grant	23,010	23,010
Export fees	3,397	21,032
Equipment	5,925	18,487
Others (mainly for service fees, freight and pension)	<u>27,216</u>	<u>42,273</u>
	<u>\$ 283,127</u>	<u>\$ 481,684</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The pension system implemented by the Corporation according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Corporation makes monthly contributions equal to a certain percentage of employees' monthly salaries and wages to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the - 45 - balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Corporation does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the consolidated balance sheet is as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 38,844	\$ 79,493
Fair value of plan assets	<u>(52,088)</u>	<u>(78,565)</u>
Net defined benefit liabilities (assets)	<u>\$ (13,244)</u>	<u>\$ 928</u>

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>
Service cost			
Current service cost	334	-	334
Interest expense (income)	<u>596</u>	<u>(600)</u>	<u>(4)</u>
Recognized in profit or loss	<u>930</u>	<u>(600)</u>	<u>330</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,475)	(6,475)
Actuarial profit - changes in financial assumptions	(2,304)	-	(2,304)
Actuarial profit - experience adjustments	<u>(3,792)</u>	<u>-</u>	<u>(3,792)</u>
Recognized in other comprehensive income (loss)	<u>(6,096)</u>	<u>(6,475)</u>	<u>(12,571)</u>
Contributions from the employer	-	(1,285)	(1,285)
Benefits paid			
Paid from plan asset	(34,837)	34,837	-
Paid directly by the Corporation	<u>(646)</u>	<u>-</u>	<u>(646)</u>
	<u>(35,483)</u>	<u>33,552</u>	<u>(1,931)</u>
Balance at December 31, 2022	<u>\$ 38,844</u>	<u>\$ (52,088)</u>	<u>\$ (13,244)</u>
Balance at January 1, 2021	<u>\$ 84,995</u>	<u>\$ (85,434)</u>	<u>\$ (439)</u>
Service cost			
Current service cost	419	-	419
Interest expense (income)	<u>419</u>	<u>(422)</u>	<u>(3)</u>
Recognized in profit or loss	<u>838</u>	<u>(422)</u>	<u>416</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,114)	(1,114)
Actuarial loss - changes in financial assumptions	528	-	528
Actuarial loss - experience adjustments	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Recognized in other comprehensive income (loss)	<u>2,478</u>	<u>(1,114)</u>	<u>1,364</u>
Contributions from the employer	-	(413)	(413)
Benefits paid	<u>(8,818)</u>	<u>8,818</u>	<u>-</u>
	<u>(8,818)</u>	<u>8,405</u>	<u>(413)</u>
Balance at December 31, 2021	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 257	\$ 314
Selling and marketing expenses	9	9
General and administrative expenses	47	76
Research and development expenses	<u>17</u>	<u>17</u>
	<u>\$ 330</u>	<u>\$ 416</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate (%)	1.75	0.75
Expected rate of salary increase (%)	1.00-1.50	1.00-1.50

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (544)	\$ (1,069)
0.25% decrease	<u>\$ 556</u>	<u>\$ 1,095</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 550</u>	<u>\$ 1,073</u>
0.25% decrease	<u>\$ (540)</u>	<u>\$ (1,053)</u>
		(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 333</u>	<u>\$ 2,910</u>
The average duration of the defined benefit obligation	6.3 years	5.4 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>106,174</u>	<u>106,174</u>
Shares issued	<u>\$ 1,061,741</u>	<u>\$ 1,061,741</u>

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

The employee share option that the Corporation issued was exercised 50 thousand shares and converted as ordinary shares in May 2021.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset deficits, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ 734,171	\$ 734,171
Expired employee share option	<u>15,063</u>	<u>15,063</u>
	<u>\$ 749,234</u>	<u>\$ 749,234</u>

The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Corporation made 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 or in the necessary situation, and then any remaining profit together with any undistributed retained earnings shall be used for distribution of dividends and bonuses to shareholders.

In order to consider the overall environment and follow long-term financial planning for sustainable and stable business development. In making its dividend policy, the Corporation takes into account future capital expenditures and working capital requirements. Based on this policy, dividends should be distributed as follows:

- 1) At least 20% as cash dividends; and
- 2) The remainder after the distribution of cash dividends as share dividends. If there is a requirement for capital expenditures, the Company may distribute only share dividends.

The distributable dividends and bonuses, in whole or in part may be paid in cash after a resolution has been approved by more than half of the directors with the attendance of more than two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's fully paid share capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meeting in June 2022 and July 2021, respectively. The appropriations of earnings were as follows:

	Appropriations of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 347,530	\$ 177,371		
Cash dividends	1,592,612	1,061,741	\$ 15	\$ 10

The appropriations of earnings for 2022 had been proposed by the Corporation's board of directors in February 2023 as follows:

	2022
Legal reserve	<u>\$ 18,505</u>
Cash dividends	<u>\$ 159,261</u>
Cash dividends per share (NT\$)	\$ 1.50

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held in May 2023.

d. Other equity item

1) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 182,831	\$ 77,892
Recognized during the period		
Equity instruments - unrealized evaluating gains and losses	<u>109</u>	<u>104,939</u>
Balance at December 31	<u>\$ 182,940</u>	<u>\$ 182,831</u>

2) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (846)	\$ (454)
Recognized during the year		
Exchange differences on translating of foreign operations	1,104	(279)
Relating income tax	<u>-</u>	<u>(113)</u>
Balance at December 31	<u>\$ 258</u>	<u>\$ (846)</u>

19. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts		
Revenue from sale of goods	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	<u>\$ 8,143</u>	<u>\$ 13,858</u>	<u>\$ 12,471</u>
Accounts receivable (including related parties)	<u>\$ 195,659</u>	<u>\$ 194,643</u>	<u>\$ 238,329</u>
Contract liabilities - current	<u>\$ 53,764</u>	<u>\$ 48,126</u>	<u>\$ 58,347</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Corporation's satisfaction of performance obligations and the respective customer's payment and there are no other significant changes in 2022 and 2021.

b. Disaggregation of revenue

	For the Year Ended December 31	
	2022	2021
<hr/>		
Mainly region		
Asia	\$ 1,320,557	\$ 7,627,423
Taiwan	326,679	433,153
Others	<u>55,327</u>	<u>101,138</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>
<hr/>		
Mainly goods		
Synthetic latex	\$ 1,650,395	\$ 8,161,564
Others	<u>52,168</u>	<u>150</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

20. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 37,855	\$ 28,304
Rental income	<u>34</u>	<u>34</u>
	<u>\$ 37,889</u>	<u>\$ 28,338</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 29,002	\$ (49,346)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(4,046)	928
Loss on disposal of property, plant and equipment	(18)	-
Others	<u>1,025</u>	<u>(5,249)</u>
	<u>\$ 25,963</u>	<u>\$ (53,667)</u>

The components of net foreign exchange gain (loss) were as follows:

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 36,297	\$ 16,337
Foreign exchange loss	<u>(7,295)</u>	<u>(65,683)</u>
Net exchange gain (loss)	<u>\$ 29,002</u>	<u>\$ (49,346)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 189	\$ 582
Interest on lease liabilities	<u>109</u>	<u>67</u>
	<u>\$ 298</u>	<u>\$ 649</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Depreciation		
Property, plant and equipment	\$ 140,794	\$ 136,702
Right-of-use assets	<u>4,330</u>	<u>4,720</u>
	<u>\$ 145,124</u>	<u>\$ 141,422</u>
Analysis of depreciation by function		
Operating costs	\$ 123,327	\$ 119,986
Operating expenses	<u>21,797</u>	<u>21,436</u>
	<u>\$ 145,124</u>	<u>\$ 141,422</u>
Amortization		
Other non-current assets	<u>\$ 823</u>	<u>\$ 9,298</u>
Analysis of amortization by function		
Operating costs	\$ 583	\$ 7,321
Operating expenses	<u>240</u>	<u>1,977</u>
	<u>\$ 823</u>	<u>\$ 9,298</u>

e. Employee benefits

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 141,059	\$ 448,181
Insurance	16,563	16,971
Others	<u>8,859</u>	<u>14,630</u>
	<u>166,481</u>	<u>479,782</u>
Post-employment benefits (Note 17)		
Defined contribution plans	6,713	7,147
Defined benefit plans	<u>330</u>	<u>416</u>
	<u>7,043</u>	<u>7,563</u>
	<u>\$ 173,524</u>	<u>\$ 487,345</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits by function		
Operating costs	\$ 107,155	\$ 262,837
Operating expenses	<u>66,369</u>	<u>224,508</u>
	<u>\$ 173,524</u>	<u>\$ 487,345</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Corporation distributed compensation of employees and remuneration of directors at the rates no less than 1% and no higher than 2%, respectively, of the pre-tax profit prior to deducting compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the year ended December 31, 2022 which have been approved by the Corporation's board of directors in February 2023 were as follows:

	Amount
Compensation of employees - cash	\$ 2,996
Remuneration of directors - cash	5,500

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

The appropriations of compensation of employees and remuneration of directors for 2021 and 2020 which had been approved by the Corporation's board of directors in February 2022 and March 2021, respectively, were as follows. The actual amount distributed in 2021 was different from the amount recognized in the individual financial statements, and the difference was adjusted into the income/loss in 2022.

	2021		2020	
	Compensation of Employees	Remuneration of Directors	Compensation of Employees	Remuneration of Directors
Amount to be distributed according to the Board of Directors resolution	<u>\$ 69,764</u>	<u>\$ 20,000</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>
Amount recognized in the consolidated financial statements	<u>\$ 69,764</u>	<u>\$ 26,673</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

- g. Impairment losses were recognized on non-financial assets

	For the Year Ended December 31	
	2022	2021
Write-down of inventory	\$ 5,670	\$ 1,295
Loss on slow-moving of supplies inventory	<u>575</u>	<u>864</u>
	<u>\$ 6,245</u>	<u>\$ 2,159</u>

21. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 46,958	\$ 844,498
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	(9,779)	(3,246)
Deferred tax		
In respect of the current year	3,006	21,585
In respect of the prior years	<u>-</u>	<u>325</u>
	<u>\$ 114,711</u>	<u>\$ 882,807</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 289,704</u>	<u>\$ 4,359,193</u>
Income tax expense calculated at the statutory rate	\$ 58,006	\$ 872,059
Nontaxable income in determining taxable income	(8,042)	(5,976)
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	<u>(9,779)</u>	<u>(2,921)</u>
	<u>\$ 114,711</u>	<u>\$ 882,807</u>

The income tax rate applicable to the Corporation is 20%, and the income tax rate applicable to the subsidiary in Malaysia is 24%.

- b. Income tax which was recognized in other comprehensive loss

	For the Year Ended December 31	
	2022	2021
<hr/>		
Deferred tax		
Remeasurement of defined benefit plans	\$ 2,514	\$ (273)
Exchange differences on translating of foreign financial statements	<u>-</u>	<u>113</u>
	<u>\$ 2,514</u>	<u>\$ (160)</u>

- c. Current tax assets and liabilities

	December 31	
	2022	2021
<hr/>		
Current tax assets		
Tax refund receivable	<u>\$ 230</u>	<u>\$ 153</u>
Current tax liabilities		
Income tax payable	<u>\$ 116,864</u>	<u>\$ 626,444</u>

- d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Difference	Closing Balance
<hr/>					
Deferred Tax Assets					
Temporary differences					
The time difference of revenue recognition between fiscal and tax	\$ 18,837	\$ (13,914)	\$ -	\$ -	\$ 4,923
Excessive of allowance for impaired losses	6,525	2,150	-	-	8,675
Unrealized loss on inventories	455	1,134	-	-	1,589
Idle capacity loss	1,315	3,588	-	-	4,903
Refund liabilities	-	4,927	-	-	4,927
Others	<u>4,393</u>	<u>150</u>	<u>(544)</u>	<u>-</u>	<u>3,999</u>
	<u>\$ 31,525</u>	<u>\$ (1,965)</u>	<u>\$ (544)</u>	<u>\$ -</u>	<u>\$ 29,016</u>
<hr/>					
Deferred Tax liabilities					
Temporary differences					
Defined benefit plans	\$ 359	\$ 320	\$ 1,970	\$ -	\$ 2,649
Others	<u>173</u>	<u>721</u>	<u>-</u>	<u>-</u>	<u>894</u>
	<u>\$ 532</u>	<u>\$ 1,041</u>	<u>\$ 1,970</u>	<u>\$ -</u>	<u>\$ 3,543</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
The time difference of revenue recognition between fiscal and tax	\$ 44,410	\$ (25,573)	\$ -	\$ -	\$ 18,837
Excessive of allowance for impaired losses	6,943	(418)	-	-	6,525
Others	<u>1,818</u>	<u>3,914</u>	<u>431</u>	<u>-</u>	<u>6,163</u>
	53,171	(22,077)	431	-	31,525
Loss carryforwards	<u>330</u>	<u>(325)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>
	<u>\$ 53,501</u>	<u>\$ (22,402)</u>	<u>\$ 431</u>	<u>\$ (5)</u>	<u>\$ 31,525</u>
<u>Deferred Tax liabilities</u>					
Temporary differences					
Defined benefit plans	\$ 89	\$ (1)	\$ 271	\$ -	\$ 359
Others	<u>664</u>	<u>(491)</u>	<u>-</u>	<u>-</u>	<u>173</u>
	<u>\$ 753</u>	<u>\$ (492)</u>	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 532</u>

e. Income tax assessments

The Corporation and its subsidiary's income tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net profit for the year attributable to owners of the Corporation	<u>\$ 174,993</u>	<u>\$ 3,476,386</u>

Number of shares (in thousand shares)

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	106,174	106,169
Effect of dilutive potential ordinary shares:		
Compensation of employees	151	462
Employee share options	<u>-</u>	<u>9</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>106,325</u>	<u>106,640</u>

The Corporation may settle the compensation paid to employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation

of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. Share-Based Payment Agreements

In order to attract and retain the professional talents needed by the Corporation, enhance employees' solidarity and sense of belonging to the Corporation and jointly create the interests of the Corporation and shareholders, qualified employees of the Corporation and its subsidiary were granted 2,318 options in April 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 5 years, exercisable as the following schedule after the second year from the grant date. The options were granted at an exercise price higher than the net value per share of the latest auditing financial statement. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. According to the appropriations of cash dividends have been approved in the shareholders' meetings in 2020, the exercise price has been adjusted from NT\$18.3 to NT\$17.7 since August 2020.

Schedule	Options exercisable ratio (%) (cumulation)
After the second year	50
After the third year	75
After the fourth year	100

Information on employee share options granted in April 2016 as follows:

Employee share options	Unit (Thousand Share)	Exercise Price
Options granted in April 2016	<u>2,318</u>	<u>\$ 23</u>
Weighted-average fair value of options granted in April 2016 (\$)	<u>\$ 50.97</u>	

Information on outstanding options was as follows:

Options	2021	
	Unit (Share)	Exercise Price (Dollar)
Balance at January 1	350,000	\$ 17.7
Options expired	(300,000)	17.7
Options exercised	<u>(50,000)</u>	17.7
Balance at December 31	<u>-</u>	
Options exercisable, end of the year	<u>-</u>	

The weighted-average share price on the exercise date of the share options for the years ended December 31, 2021 was NT\$226.91. The difference between the exercise price and the par value of each ordinary share was NT\$385 thousand that was included in the capital surplus - additional paid-in capital.

Information on outstanding options was as follows:

	December 31, 2021
Range of exercise price (\$)	\$ 17.7
Weighted-average remaining contractual life	0 years
Options using the Black-Scholes-Merton pricing model, and the inputs to the model are as follows:	
Grant-date share price	\$73.21
Exercise price	\$23
Expected volatility	31.09-31.92
Expected life (in years)	3.5-4.5
Expected dividend yield (%)	-
Expected exercise ratio (%)	100
Risk-free interest rate (%)	0.53-0.58

Compensation costs recognized was NT\$0 for the year ended December 31, 2021.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

The management of the Corporation and its subsidiary considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis.

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL - current				
Foreign exchange forward contracts	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>119,097</u>	<u>-</u>	<u>-</u>	<u>119,097</u>
	<u>\$ 119,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,097</u>
Financial assets at FVTOCI - non-current				
Equity instruments				
Domestic listed shares	\$ 1,044,254	\$ -	\$ -	\$ 1,044,254
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>68,465</u>	<u>68,465</u>
	<u>\$ 1,044,254</u>	<u>\$ -</u>	<u>\$ 68,465</u>	<u>\$ 1,112,719</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL - current				
Foreign exchange forward contracts	\$ -	\$ 458	\$ -	\$ 458
Mutual funds	<u>1,222,563</u>	<u>-</u>	<u>-</u>	<u>1,222,563</u>
	<u>\$ 1,222,563</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 1,223,021</u>
Financial assets at FVTOCI - non-current				
Equity instruments				
Domestic listed shares	\$ 353,542	\$ -	\$ -	\$ 353,542
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>74,023</u>	<u>74,023</u>
	<u>\$ 353,542</u>	<u>\$ -</u>	<u>\$ 74,023</u>	<u>\$ 427,565</u> (Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Type of financial instruments</u>	<u>Evaluation techniques and inputs</u>
Derivatives	The estimates and assumptions used by the Corporation and its subsidiary were consistent with those that market participants would use in setting a price for the financial instrument and that information was available to the Corporation and its subsidiary. The Corporation and its subsidiary calculate the fair value of individual derivative contracts based on the average exchange rate of the counterparties' financial institutions in accordance with the quoting system and the expired date rate of each contract, respectively.

3) Reconciliation of Level 3 fair value measurements of financial assets - FVTOCI

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 74,023	\$ 71,972
Recognized in other comprehensive income (loss)	<u>(5,558)</u>	<u>2,051</u>
Balance at December 31	<u>\$ 68,465</u>	<u>\$ 74,023</u>

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In the third quarter of 2021, after considering the industry status and the investment's future business

development, the method of fair value measurement was more appropriate to convert market approach to income approach. And it was determined by industry category, evaluation of similar companies and the company's operating situation.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at fair value through profit or loss	\$ 119,097	\$ 1,223,021
Financial assets at fair value through other comprehensive income - equity instruments	1,112,719	427,565
Financial assets at amortized cost (1)	2,378,298	4,007,649
Financial liabilities		
Financial liabilities at amortized cost (2)	315,814	683,451

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, financial assets at amortized cost - current and refundable deposits.
- 2) The balances included financial liabilities at amortized cost, which comprise accounts payable and other payables.

d. Financial risk management objectives and policies

The Corporation and its subsidiary's major financial instruments include notes and accounts receivable, notes and accounts payable and lease liabilities. The Corporation and its subsidiary's financial officers according to the needs of the corporation's operating conditions at each stage to formulate financial strategies and coordinate domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Corporation and its subsidiary. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Corporation and its subsidiary are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiary did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation and its subsidiary's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below) .

There has been no change to the Corporation and its subsidiary's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation and its subsidiary was exposed to foreign currency risk due to sales and purchases and fulfills capital expenditures, denominated in foreign currencies. Exchange rate

exposures were managed within utilizing the same currency for forward foreign exchange contract transactions to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Corporation and its subsidiary's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 27.

The Corporation and its subsidiary were mainly exposed to the fluctuation of USD. The following table details the Corporation and its subsidiary's sensitivity to a 1% increase in the New Taiwan dollars against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only the outstanding foreign currency denominated monetary items.

	USD Impact (Note)	
	For the Year Ended December 31	
	2022	2021
Profit before income tax (Note)	\$ (1,860)	\$ (1,097)

Note: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable (including related parties), other receivables, accounts payable and other payables, which were not hedged at the balance sheet date.

The management of the Corporation and its subsidiary believe that the sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposures on the balance sheet date cannot reflect the interim exposures, and sales denominated in US dollars will vary with the customers' orders and business cycle.

b) Interest rate risk

The carrying amounts of the Corporation and its subsidiary's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 8,185	\$ 8,031
Cash flow interest rate risk		
Financial assets	2,170,543	3,781,376

If the interest rate increases/decreases by 1%, and all other variables remain unchanged, the pre-tax net profit of the company and its subsidiary in 2022 and 2021 will increase/decrease by NT\$21,705 thousand and NT\$37,814 thousand.

c) Other price risk

The Corporation and its subsidiary were exposed to equity price risk through their investments in domestic listed and unlisted shares and mutual funds.

If equity price of fair value through profit or loss financial assets had been higher or lower by 1%, the pre-tax income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$1,191 thousand and NT\$12,230 thousand, respectively.

And if equity price of fair value through other comprehensive income financial assets had been higher or lower by 1%, the pre-tax-other comprehensive income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$11,127 thousand and NT\$4,276 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation and its subsidiary. As at the balance sheet date, the Corporation and its subsidiary's maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation and its subsidiary.

The Corporation and its subsidiary made transactions with the parties with good credit. The business department grants the current credit limit according to the results of each credit investigation, and regularly tracks the customers' collection situation, and also accounts for a full amount of impairment losses.

When the counterparties of the Corporation and its subsidiary's receivables transactions are significantly concentrated in certain customers, most of them are engaged in similar business activities and have similar economic characteristics, and their abilities to perform contracts are similarly affected by economic or other conditions, a significant concentration of credit risk occurs. The balance of receivables from customers with significant concentration of credit risk is as follows:

Customer Name	December 31	
	2022	2021
Chung Hwa Pulp Corporation	<u>\$ 105,400</u>	<u>\$ 120,809</u>

3) Liquidity risk

The Corporation and its subsidiary manage liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Corporation and its subsidiary's operations and mitigate the effects of fluctuations in cash flows and monitor the utilization of bank borrowings. As of December 31, 2022 and 2021, the unutilized credit facilities of the Corporation and its subsidiary were NT\$504,817 thousand and NT\$1,074,400 thousand, respectively.

The table below summarizes the maturity profile of the Corporation and its subsidiary's financial liabilities based on the earliest date on which repayment may be required and undiscounted cash flows (including the cash flows of interest and principal):

	Less Than 1 Year	1-5 Years	Total
December 31, 2022			
Accounts payable	\$ 32,687	\$ -	\$ 32,687
Lease liabilities	4,052	4,256	8,308
Other payables	<u>283,127</u>	<u>-</u>	<u>283,127</u>
	<u>\$ 319,866</u>	<u>\$ 4,256</u>	<u>\$ 324,122</u>

(Continued)

	Less Than 1 Year	1-5 Years	Total
December 31, 2021			
Accounts payable	\$ 201,767	\$ -	\$ 201,767
Lease liabilities	3,431	4,701	8,132
Other payables	<u>481,684</u>	<u>-</u>	<u>481,684</u>
	<u>\$ 686,882</u>	<u>\$ 4,701</u>	<u>\$ 691,583</u>
			(Concluded)

25. TRANSACTIONS WITH RELATED PARTIES

- a. The name of the company and its relationship with the Corporation and its subsidiary

Company	Relationship
YFY Packaging Inc.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
YFY Development Corp.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Corporate Advisory and Services Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Yuen Foong Yu Biotech Co., Ltd.	Associate
SinoPac Securities Corporation	Associate
Yuen Foong Paper Co., Ltd.	Associate
Yuen Foong Shop CO., Ltd.	Associate
Hsin-Yi Enterprise Co., Ltd.	Substantial related party

- b. Operating revenue

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2022	2021
Sale of goods	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 228,545	\$ 258,230
	Others	<u>25,635</u>	<u>38,560</u>
		<u>\$ 254,180</u>	<u>\$ 296,790</u>

Parts of item of the Corporation and its subsidiary that was not sold to unrelated parties; therefore, the price of items was incomparable to those items sold to related parity. Other item's prices were slightly lower than unrelated parties due to bulk sales but the difference is not significant. The terms of receivable for related parties were 120 days of monthly settlement, and unrelated parties were prepayment or 1-4 months of monthly settlement.

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>4,031</u>	\$ <u>2,773</u>

The purchase price from related parties were not significantly different from unrelated parties. And the payment terms were 1 to 3 months of monthly settlement, which were not significantly different from unrelated parties.

d. Accounts receivable from related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Accounts receivable from related parties	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 105,400	\$ 120,809
	Others	<u>7,510</u>	<u>15,729</u>
		<u>\$ 112,910</u>	<u>\$ 136,538</u>

No guarantees have been received for accounts receivable and other receivable from related parties. No expenses have been recognized for the years ended December 31, 2022 and 2021 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Other payable	Fellow subsidiaries	\$ 4,538	\$ 1,473
	Associates	104	55
	Substantial related party	<u>93</u>	<u>78</u>
		<u>\$ 4,735</u>	<u>\$ 1,606</u>

The outstanding accounts payable to related parties and other payable to related parties were unsecured.

f. Prepayment

Related Party Type/Name	December 31	
	2022	2021
Fellow subsidiaries	\$ <u>780</u>	\$ <u>687</u>

g. Leases

Lease Expense	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>360</u>	\$ <u>-</u>
Substantial related party	\$ <u>788</u>	\$ <u>356</u>

In January 2022, the Corporation leased the laboratory from its fellow subsidiary for 12 months, and the rent was NT\$30 thousand per month.

The Corporation leased an office from its substantial related party for 12 months, and the rent was NT\$66 thousand per month.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 35,868	\$ 98,536
Post-employment benefits	<u>560</u>	<u>572</u>
	<u>\$ 36,428</u>	<u>\$ 99,108</u>

i. Other transactions of related parties

The Corporation and its subsidiary signed an administrative service contract with a fellow subsidiary to provide administrative support, product-related R&D and testing services. The related expenses were NTD\$8,083 thousand and NT\$11,737 thousand for the years ended December 31, 2022 and 2021, respectively, which were included in the operating and manufacturing expenses.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments of the Corporation and its subsidiary as of December 31, 2022 were as follows:

- The Corporation and its subsidiary signed commitments for the acquisition of property, plant and equipment amounted to NT\$288,576 thousand, of which NT\$100,889 thousand was unrecognized.
- Unused letters of credit for purchases of raw materials amounted to approximately NT\$38,700 thousand and EUR\$2,055 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The the Corporation and its subsidiary's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Corporation and its subsidiary and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate(\$)	Carrying Amount (In Thousands)
<u>December 31, 2022</u>			
Monetary financial assets			
USD	\$ 6,098	30.71 (USD:NTD)	\$ 187,263
JPY	377	0.2324 (JPY:NTD)	88
			(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
EUR	\$ 1,047	32.72	(EUR:NTD)	\$ 34,273
MYR	64	0.2278	(MYR:USD)	446
Non-monetary financial assets				
Investment accounted for using equity method				
USD	360	30.71	(USD:NTD)	11,067
Monetary financial liabilities				
USD	40	30.71	(USD:NTD)	1,228
MYR	268	0.2278	(MYR:USD)	1,875
<hr/> December 31, 2021 <hr/>				
Monetary financial assets				
USD	4,202	27.68	(USD:NTD)	116,310
JPY	11,621	0.2405	(JPY:NTD)	2,795
EUR	2,594	31.32	(EUR:NTD)	81,234
MYR	165	0.2401	(MYR:USD)	1,098
Non-monetary financial assets				
Investment accounted for using equity method				
USD	366	27.68	(USD:NTD)	10,132
Monetary financial liabilities				
USD	238	27.68	(USD:NTD)	6,585
MYR	277	0.2401	(MYR:USD)	1,838
(Concluded)				

For the years ended December 31, 2022 and 2021, net foreign exchange gains were NT\$29,002 thousand and losses were NT\$49,346 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (Note 7)
 - 10) Other: Intercompany relationships and significant intercompany transactions (Table 5)
- b. Information on investees (Table 6)
 - c. Information on investments in mainland China (None)
 - d. Major shareholder information: names of shareholders holding more than 5% of the shares, amount and proportion of shares held (Table 7)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Since the chief operating decision maker regards the Corporation and its subsidiary as a single operating department as a whole, and uses the overall information of the Corporation for resource allocation and performance measurement, refer to the contents of this consolidated financial report for the relevant information of the operating departments.

- a. Revenue from major products and services

Revenues from major products and services of the Corporation and its subsidiary were as follows:

	For the Year Ended December 31	
	2022	2021
Sales		
Synthetic latex	\$ 1,650,395	\$ 8,161,564
Others	<u>52,168</u>	<u>150</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

- b. Geographical information

The Corporation and its subsidiary mainly operate in Taiwan and Malaysia.

The Corporation and its subsidiary's revenues from external customers and information by geographical location were detailed below.

	<u>For the Year Ended December 31</u>	
	2022	2021
Asia	\$ 1,320,557	\$ 7,627,423
Taiwan	326,679	433,153
Others	<u>55,327</u>	<u>101,138</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

c. Information about major customers

The incomes of the Corporation and its subsidiary from a single customer accounts for more than 10% of the operating income were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Sales revenue		
A Company	\$ 607,374	\$ 911,226
B Company	257,244	2,652,460
C Company	<u>228,545</u>	<u>258,230</u>
	<u>\$ 1,093,163</u>	<u>\$ 3,821,916</u>

TABLE 1**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2022				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Corporation	Mutual Funds							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,115,690.20	\$ 44,008		\$ 44,008	
	PIMCO GIS Total Return Bond Fund-E Class	-	Financial assets at fair value through profit or loss - current	218,899.205	75,089		75,089	
					<u>\$ 119,097</u>		<u>\$ 119,097</u>	
	Ordinary Shares							
	SinoPac Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	22,110,054	\$ 370,343	0.19	\$ 370,343	
	Foongtone Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,884,415	68,465	11.78	68,465	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	271,708	10,868	0.00	10,868	
	Preference Share							
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,292,000	198,837	0.55	198,837	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,329,000	188,421	0.40	188,421	
	Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,925,000	202,530	0.79	202,530	
	WPG Holdings Corporation	-	Financial assets at fair value through other comprehensive income - non-current	874,000	42,827	0.44	42,827	
	Yulon Finance Corporation	-	Financial assets at fair value through other comprehensive income - non-current	605,000	30,428	0.65	30,428	
					<u>\$ 1,112,719</u>		<u>\$ 1,112,719</u>	

TABLE 2**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY****MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022****(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain on Disposal	Shares/Units	Amount
The Corporation	SinoPac TWD Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	34,899,171.50	\$ 490,236	38,667,222.6	\$ 544,000	70,450,703.9	\$ 991,298	\$ 990,000	\$ 1,298	3,115,690.2	\$ 44,008
	Mega Diamond Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	31,575,235.95	400,298	51,229,668.52	650,000	82,804,904.47	1,051,509	1,050,000	1,509	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	15,236,098.50	250,171	-	-	15,236,098.50	250,958	250,000	958	-	-

TABLE 3

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	Chung Hwa Pulp Corporation	Fellow subsidiary	Sale	\$ 228,545	13.4	120 days of monthly settlement	Refer to Note 25	Refer to Note 25	\$ 105,400	51.7	

TABLE 4

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	Chung Hwa Pulp Corporation	Fellow Subsidiary	\$ 105,400	2.02	\$ -	-	\$ 43,806	\$ -

TABLE 5**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND ITS SUBSIDIARY**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE PERIOD ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Transaction Details	% of Total Sales or Assets
0	SHIN FOONG TRADING SDN. BHD.	The Corporation	Subsidiary to parent	Sales	\$ 8,166	According to the contract	0.48
0	SHIN FOONG TRADING SDN. BHD.	The Corporation	Subsidiary to parent	Account Receivable	1,228	According to the contract	-

TABLE 6**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD. AND SUBSIDIARY****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021						
Shin Foong Specialty & Applied Material Co., Ltd.	Shin Foong Trading Sdn. Bhd.	Malaysia	Trading of synthetic latex and industrial chemicals	\$ 10,568	\$ 10,568	1,500,000	100.00	\$ 11,067	\$ (169)	\$ (169)	Note

Note: Amount was eliminated in the consolidated financial statements.

TABLE 7**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MAJOR SHAREHOLDER INFORMATION
DECEMBER 31, 2022**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
YFY Inc.	50,968,248	48.00

Note: The information of major shareholder presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholder with ownership of 5% or greater, that have been issued without physical registration by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.