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PONTEX POLYBLEND CO.,LTD.

2022 Annual Report

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I. Letter to Shareholders

1. The 2022 business report

Looking back to 2022, many regional conflicts and financial policies have had a high degree of impact on the global economy, including the outbreak of the Russia-Ukraine war in February, the U.S. Federal Reserve System has raised interest rates several times since March to curb inflation, and China insisted on Zero-Covid policy, etc., have caused a sharp decline in the global economy in 2022. The sales of major international channel markets have decreased, especially in the second half of the year, and have readjusted the annual procurement plan and schedule that influent the Company's client purchases and dragged down the Company's annual sales performance.

The company's operating revenue in 2022 was NT\$1.08 billion. The profit after tax was about NT\$ 27.36 million and EPS was NT\$0.32. According to the global economic forecast, the overall economy may not be optimistic in the first half of 2023, and it will still be a year full of challenges. The company will strive for steady progress to ensure operational development. In the equipment injection industry, In the equipment injection industry, Pontex will still focus on maintaining stable cooperation with international leading brands, and strive for new orders of shoe development. In the compounds materials industry, in addition to the original key industrial fields such as automobiles, motorcycles, and 3C, the Company will continue to increase the application and development of recycling, modification, reuse, and biodegradable green materials. , and expand the business opportunities on Net Zero and carbon neutrality. Based on the resources of operating bases in Taiwan, Vietnam, and China, PONTEX integrated the resources to promptly respond to the external environment challenges and strive to achieve the 2023s' operating goals. Please refer to the following operating condition report:

1.1 Operating Performance in 2022

Unit: NT\$ thousands

| Item | 2022 | 2021 | Increase (Decrease) | |
|---------------------------------|-----------|-----------|---------------------|----------|
| | | | Amount | Rate (%) |
| Net sales | 1,079,677 | 1,379,203 | (299,526) | (21.72) |
| Operating Costs | 907,235 | 1,168,897 | (261,662) | (22.39) |
| Gross Profit | 172,442 | 210,306 | (37,864) | (18.00) |
| Operating Expenses | 153,903 | 164,939 | (11,036) | (6.69) |
| Operating Income (Loss) | 18,539 | 45,367 | (26,828) | (59.14) |
| Non-operating income (Expenses) | 5,411 | (8,018) | 13,429 | 167.49 |
| Profit (loss) before tax | 23,950 | 37,349 | (13,399) | (35.88) |

1.2 Budget Implementation

Unit: NT\$ thousands

| Item | Actual | Budget | Achievement Rate (%) |
|---------------------------------|-----------|-----------|----------------------|
| Net sales | 1,079,677 | 1,802,084 | 59.91 |
| Operating Costs | 907,235 | 1,504,363 | 60.31 |
| Gross Profit | 172,442 | 297,721 | 57.92 |
| Operating Expenses | 153,903 | 152,225 | 101.10 |
| Operating Gains (Loss) | 18,539 | 145,496 | 12.74 |
| Non-operating income (expenses) | 5,411 | (17,352) | 40.54 |
| Profit (loss) before tax | 23,950 | 128,144 | 131.18 |

1.3 Financial Income and Expenditure and Profitability Analysis

| Item | | 2022 | 2021 |
|-------------------------|--|--------|--------|
| Financial Structure (%) | Debts ratio | 51.32 | 55.67 |
| | Long-term capital to property, plant and equipment | 153.91 | 147.37 |
| Solvency (%) | Current Ratio | 125.29 | 117.06 |
| | Quick Ratio | 70.96 | 63.60 |
| | Times Interest Earned | 2.24 | 3.05 |
| Profitability (%) | Return on assets | 2.45 | 3.25 |
| | Return on shareholders' equity | 3.37 | 5.59 |
| | Net Margin | 2.53 | 3.15 |
| | Earnings per share (NT\$) | 0.32 | 0.52 |

1.4 Research and development status

(1) Equipment injection

The Company's equipment injection includes functional shoe outsole, midsole, injection molding of decorative parts and accessories., upper injection, and industrial product injection. The major business is upper injection currently, mainly for the casual shoes OEM for CROCS. In the new product development for the two major brand customers of NIKE and CROCS, the models that entered mass production in 2022, NIKE mainly focuses on shoe accessories, including TG21811, TG21816, TG21831, TG21832 heel cap, TG21813 heel cap cover, TG21814 heel cap base, TG21817 shoe decoration strip, TG21818 shank and so on. VG21805 kids' shoe upper, VG21804 youth shoe upper, VG21802 adult shoe upper, VG21803 shoelace, and VG21806 shoe buckle are included in CROCS. The ongoing development project is expected to be mass-produced in 2022, including TG21815 shoe mid-quarter, TG21830 heel counter, TG2280201 baseball sole, TG22826 heel tap and TG22827 baby shoes of NIKE and TG22891 baseball sole of Skechers and so on. The Company's R&D team has long-term cooperation with internationally well-known brands, keeps improving production, sales, and research abilities, establishes solid trust relationships, and continuously endeavors to broaden the market.

(2) Compound material

The Company's compound material business has been rooted in research and development since its establishment. In 2010, the Company even obtained a grant from the Ministry of Economic Affairs for the establishment of the "Green Polymer Materials Research and Development Center", which expanded the scale of our laboratory. The Company's professional research and development team customizes formula modification, including all kinds of engineering plastic materials such as PA, PP, PC, ABS, TPU, PLA, etc. according to the demand of various industry clients, to fully meet the physical requirements such as higher rigidity, hardness, brightness, temperature tolerance, hydrolysis resistance, halogen-free, flame retardant, and fireproof in the industry for the past forty years. For years, the Company has been focusing on the development of multiple industrial materials such as vehicles and motorcycles, 3C electronics, agricultural machinery, furniture, and daily necessities. The improvement of high-value material development has been a fruitful achievement. The Company keeps up with the trend of eco-friendly and plastic reduction, makes efforts towards the business opportunity of reuse of recycled plastic modification, which stably provides domestic and foreign clients the most competitive and high-quality service!

2. Business Plan for 2023

2.1 Operation strategy and policy

1. Implement KPI management and pursue the achievement of the goal.
2. Quickly respond to the changes and grasp business opportunities.
3. Expand local service and global arrangement.
4. Elaborate research and development technology and enhance competitiveness.
5. Develop a diverse market and solid industry foundation.
6. Insist on quality first to ensure client satisfaction.
7. Emphasize ESG issue to promote sustainable development.

2.2 Forecast sales volume and its basis

According to the global economy, forecast of client demand, and the allocation of production and promotion resources of domestic and overseas enterprises, considering the changes in the Company's business scale and the progress of new product development in recent years, the company sets 2023 sales predictions for each business division. The performance will be NT\$1.58 billion, an increase of 46.5% compared to the last year. Please refer to the following chart:

Unit: NT\$ thousands

| Business department | Performance target of 2023 | Performance of 2022 | Estimated growth rate (%) |
|---------------------------------------|----------------------------|---------------------|---------------------------|
| Equipment business department | 450,001 | 278,675 | 61.48 |
| Compound material business department | 1,131,504 | 801,002 | 41.26 |
| Total | 1,581,505 | 1,079,677 | 46.48 |

2.3 Important production and marketing policies

1. Equipment business department

- (1) Strengthen existing international cooperative brands and continuously strive for orders of new shapes of shoes.
- (2) Strive to develop the regional OEM market for major brand shoe factories and establish local business opportunities.
- (3) Expand our customer base in non-footwear injection products to increase the industry penetration rate and diversify the business risk.
- (4) Produce 10 days in advance to ensure delivery and quality.
- (5) Continuously execute the client's credit checking to ensure normal payment.

2. Compound material business department

- (1) Put great emphasis on the development of recycling and reforming, and the application of environmentally-friendly materials to stay in line with global policies on reducing plastic use and achieving zero-carbon emissions.
- (2) Develop a solution to zero-waste production to grasp the potential business opportunities of the circular economy.
- (3) Accelerate the research and development of high-valued and high-standard materials to promote industry upgrade and competitiveness.
- (4) Increase the number of new customer deals and expand our market coverage and industry penetration.
- (5) Emphasize the production yield and quality stability to ensure stable payment and establish long-term cooperation with clients.

3. Development Strategy

1. Maximize the regional economic advantage of each enterprise of the group, flexible procurement and work division of production and promotion, to stabilize global layout.

2. Grasp the fact of plastic reduction and plastic restriction around the globe, the Company focuses on the environmental protection business of circular economy and biodegradable materials.
3. Strengthen the function of the Taiwan headquarter, make three companies integrated, transparent management and maximize the group's operating efficiency.
4. Develop long-term cooperation with large-scale clients in various industries to strengthen the corporates' status and leading advantages.
5. Strive for upstream and downstream industries and cross-industry cooperation to expand the scope of business to ensure the corporate's foundation and profitability.
6. In response to the issues related to carbon credit as zero-waste factory, net zero, and carbon neutrality, the company is concerned about ESG sustainable development.

4. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

Looking forward to the global economy in 2023, due to the continuous impact of geopolitics, war conflicts, financial fluctuations, climate abnormality, and friend-shoring in the global supply chain, it is expected that the weak trend in the second half of 2022 will continue, making the global economy full of varieties and hidden worries.

In addition to the Taiwan headquarter, Pontex has set up production and operation bases in Vietnam and China. Abide by the regulation and legal operation, the Company stays cautious about local laws and the overall economic environment, instantly responds to the related department, and consults with experts if needed after the discussion. The Company could adapt to the environmental transformation properly, which reduces the possible impact on the corporate.

5. Conclusion

Pontex successfully established three major operational bases based on the global layout. Facing the survival and growth goals of the enterprise, the Company takes advantage of 40 years of accumulated professional strength to continue to develop new client markets, expands industrial penetration and enhances industrial value and client dependence. The management team always focus on creating all shareholders' right and employees' welfare. In 2021, we compensated all the accumulated losses first. In 2022, despite the economic downturn, the Company was still able to maintain profitability and achieve a new milestone of distributing dividends to shareholders. Apparently, the Company is resilient enough to face the changing economic situations both domestically and internationally and will continue to strive

towards positive growth in profitability. Dear shareholders, please keep giving affirmation and support working together with the Company's management team to create new glories for our enterprise!

Wishing you good health and good luck

SHEN, MAO-KEN

Chairman

II. COMPANY PROFILE

1. Date of Incorporation: 21 December 1982

2. Company History:

| Date | Milestones |
|---------------|--|
| December 1982 | Pontex Polyblend Co., Ltd. officially operated and produced sports equipment injection molded ornament pieces, the registered capital was NT\$2,000,000. |
| June 1984 | Cooperated with NIKE to develop PVC/NBR multi-color injection. |
| July 1986 | Capital increased to NT\$12,500,000. |
| August 1987 | Orders increased, expanded the factory and gradually entered various professional sports equipment injection components, capital increased to NT\$25,000,000. |
| August 1990 | Businesses increased and self-purchased the factory at the current address in Tanzi. |
| April 1991 | Relocated the factory, capital increased to NT\$140,468,000. |
| June 1992 | Introduced CAE/CAD/CAM system, and established mold manufacturing technology. |
| April 1996 | Independently researched and developed the first ultra-light injection compound materials and injection foam molding technology in Taiwan, capital increased to NT\$175,585,000. |
| November 1998 | New manufactures of engineering plastic compound material, capital increased to NT\$193,143,500. |
| January 1999 | Passed the ISO-9001 Quality System Certification. |

| Date | Milestones |
|---------------|---|
| July 1999 | According to the Ministry of Finance, R.O.C., Securities and Futures Bureau (SFB)(88), Tai-Tsai-Cheng-(Yi) No.58040, The Ministry of Finance approved capital increased to NT\$331,680,000 and a public offering. Constructed a new engineering center and introduced an optoelectronic business. |
| December 2000 | Capital increased to NT\$421,233,600. |
| August 2001 | Capital increased to NT\$471,781,630, and the new photoelectric technology building was officially completed, meanwhile, the production of the LCD backlight module was constructed. |
| March 2002 | Completed the large-scale LCD backlight module factory with a monthly production capacity of 300,000 sets and obtained the certification of TFT manufacturer. Meanwhile, constructed a monthly production capacity of 1 million sets of IMD phone screen panels. |
| March 2002 | The company's shares were listed on the Taiwan Stock Exchange (TWSE) on 26 March. |
| April 2002 | Capital increased to NT\$528,395,430. |
| June 2002 | Issuance of common stock for cash was NT\$151,000,000, and the amount of capital increased to NT\$679,395,430. |
| July 2003 | Earnings and additional paid-in capital converted to capital was NT\$81,527,460, and the amount of capital was NT\$760,922,890 after capital increased. |
| July 2003 | Passed the QS9000 Certification. |
| December 2003 | Issued domestic secured convertible corporate bonds of NT\$100 million for the first time and unsecured convertible corporate bonds of NT\$200 million for the second time. |
| March 2004 | Converted corporate bonds to capital were NT\$2,596,120, and the amount of capital was NT\$763,519,010 after capital increased. |
| April 2004 | Converted corporate bonds to capital were NT\$208,460,850. |
| June 2004 | Converted corporate bonds to capital, the amount of capital was NT\$971,979,860 after capital increased. |

| Date | Milestones |
|----------------|--|
| July 2004 | The board of directors approved the appointment of Mr. CHUANG, MING-CHOU as the president, and decided to shut down the IMD factory in Tainan after a cautious evaluation. |
| October 2004 | Accountant JI, MIN-CANG took over as chairman. |
| April 2005 | EPS was NT\$0.3 in the first quarter, which eliminated the haze of 8 consecutive quarters of losses. |
| July 2005 | Converted corporate bonds to capital were NT\$31,034,270. |
| August 2005 | Converted corporate bonds to capital were NT\$9,080,350. |
| July 2005 | In response to the growth of equipment performance and customer service reinforcement, a new factory in Dongguan was built. |
| September 2005 | Converted corporate bonds to capital, the amount of capital was NT\$1,012,094,480 after capital increased. |
| September 2005 | Established NIKE product development center at Taiwan headquarter to strengthen the bilateral relationship on technology and communication. |
| November 2005 | Converted corporate bonds to capital were NT\$1,034,470. |
| December 2005 | Converted corporate bonds to capital were NT\$29,208,530, and the amount of capital was NT\$1,042,337,480 after capital increased. |
| December 2005 | To meet the customer's demand in the optoelectronic market, expanded the second Wujiang factory. |
| January 2006 | Converted corporate bonds to capital were NT\$22,068,810. |
| February 2006 | Converted corporate bonds to capital were NT\$229,880, and the amount of capital was NT\$1,064,636,170 after capital increased. |
| March 2006 | The second optoelectronics factory in Taiwan completed massive optimization of the production line. |
| May 2006 | Completed the signing of the syndicated lending case. |
| May 2006 | The issuance of common stock for cash was approved. |
| June 2006 | Completed the raising for the issuance of common stock for cash. |

| Date | Milestones |
|---------------|---|
| June 2007 | The board of directors elected Mr. JI, MIN-CANG as chairman and president. |
| August 2008 | The amount of earnings and additional paid-in capital conversion to capital was NT\$71,481,800, and the amount of capital was NT\$1,501,117,970 after capital increased. |
| October 2008 | Transfer of chairman and president; The board of directors elected HSU, CHIH-JEN as chairman and president. |
| October 2008 | Appointed Mr. HO, HENG-CHUN as CEO. |
| February 2009 | Passed the ISO14001 Certification. |
| April 2009 | The former supervisor, Mr. YE, SI-YING, resigned as a supervisor due to personal career planning. |
| April 2009 | To improve the financial structure, capital reduction to offset accumulated deficits, the amount of capital reduction was NT\$482,096,900, the elimination of shares was 48,209,690, the capital reduction ratio was 32.115857%, the amount of capital was NT\$1,019,021,070 after capital reduction. |
| May 2009 | Mr. HO, HENG-CHUN resigned as CEO due to personal career planning. |
| May 2009 | Due to the amendment of the company's Articles of Incorporation, the provision for the establishment of independent directors has been deleted. Additionally, YUAN, HE-LING, and KO, HSING-SHU have resigned from their positions as independent directors due to their heavy work with immediate effect. |
| June 2009 | Signed cooperation agreement with the biomedical materials brand company, ADVANGENE(AGC) in the USA. |
| July 2009 | Acquired 60% shares of Qingxiang Guangbo Co., Ltd. |
| October 2009 | Enriched operation capital, repaid bank loans, capital increased NT\$500 million, the amount of capital was NT\$1,519,021,070 after capital increased. |
| October 2009 | Mr. GU, SHAO-TU was appointed as CEO. |
| November 2009 | Signed a contract with Plastics Industry Development Center (PIDC), and obtained the production technology authorization of plastic drain for throat intubation. |
| December 2009 | Announced the disposal investment of Pontex Electronics (Wujiang) Ltd in China. |

| Date | Milestones |
|----------------|---|
| December 2009 | Announced to invest Ningbo Qingxiang Guangbo trade Co., Ltd. in China directly, the investment amount is US\$200,000. |
| January 2010 | Established Greater China east china business office – Ningbo Qingxiang Guangbo trade Co., Ltd. |
| July 2010 | Established Big.Thomas Songzhu branch to sell Guang Bo tea series products directly. |
| August 2010 | Pontex Polyblend Co., Ltd. signed a cooperation contract with Win Group, the largest Internet enterprise group in Thailand. |
| September 2010 | Passed the Ministry of Economic Affairs (MOEA) plastic oropharyngeal airway guide for emergency intubation Technology Development Programs. |
| October 2010 | Announced to establish Bangao Ltd. in Brisbane, Australia with an investment amount of AUD 250,000. |
| October 2010 | Passed the Ministry of Economic Affairs (MOEA) Technology Development Programs to establish Pontex Green Polymer Materials R&D Center. |
| November 2010 | Enriched operation capital, repaid the bank loan, capital increased NT\$500 million, the amount of capital was NT\$2,019,021,070 after capital increased. |
| December 2010 | Launched a new product development program for an allergy patch with Taichung Veterans General Hospital. |
| November 2011 | The board of directors resolved to establish the Remuneration Committee. |
| November 2011 | Pontex Group Biomedical Plant passed ISO13485 Certification. |
| April 2012 | The GMP factory obtained the permit from the Department of Health. |
| June 2012 | Qingxiang Guangbo plastic oropharyngeal airway guide obtained a TFDA production permit from the Department of Health. |
| July 2012 | Light Ray plastic drain for throat passed FDA registration and was listed. |
| August 2012 | Completed the installation of the high-speed compound extruder. |
| September 2012 | Pontex Polyblend Co., Ltd. completed the payment of private overseas secured convertible bonds for the first time. |

| Date | Milestones |
|----------------|--|
| June 2013 | Transfer of chairman and president; The board of directors elected SHEN, MAO-KEN as chairman and president. |
| August 2013 | The board of directors approved to appoint members of the second remuneration committee. |
| August 2013 | To improve the financial structure, capital reduction to offset accumulated deficits, the amount of capital reduction was NT\$815,957,160, the elimination of shares was 81,595,716, the capital reduction ratio was 40.4135039%, the amount of capital was NT\$1,203,063,910 after capital reduction. |
| June 2014 | Mr.GU, SHAO-TU resigned as CEO. |
| April 2015 | The board of directors approved the investment in Kunshan, China. |
| July 2015 | Established a subsidiary in the East China region - KUNSHAN POLY GIN INTERNATIONAL CO., LTD. |
| December 2015 | The board of directors approved the investment of establishing a factory in Vietnam. |
| July 2016 | OEM for Crocs. |
| August 2016 | OEM for Under Armour. |
| September 2016 | VietNam Pontex Polyblend Co., Ltd. started construction. |
| March 2017 | Passed the IATF-16949 examination on the spot. |
| April 2017 | Completed the first phase of construction of Pontex Polyblend Co., Ltd. in Vietnam. |
| July 2017 | Obtained IATF16949 certification, a new version of the global automotive quality management system. |
| September 2017 | To improve the financial structure, capital reduction to offset accumulated deficits, the amount of capital reduction was NT\$360,063,910, the elimination of shares was 36,006,391, the capital reduction ratio was 29.9289096%, the amount of capital was NT\$843,000,000 after capital reduction. |
| September 2017 | Pontex Polyblend Co., Ltd. in Vietnam officially operated. |
| January 2018 | The board of directors approved the investment of purchasing land and establishing a factory in Nanjing. |

| Date | Milestones |
|----------------|---|
| March 2018 | Established Pontex Polyblend Co., Ltd. in Nanjing. |
| August 2018 | Dongguan Changming Compound Materials Co., Ltd. land and building disposal. |
| November 2018 | Dongguan Changming Compound Materials Co., Ltd. signed the contract to purchase land and buildings in Qingyuan. |
| March 2019 | The board of directors approved quitting the investment of Pontex Polyblend Co., Ltd. in Nanjing. |
| June 2019 | Obtained the Taiwan invention patent of Electroplatable High-Density Plastic, patent number 1660991. |
| August 2019 | Relocation of Dongguan Chang Ming plant in and Kunshan Paoteng plant to Qingyuan plant for operation and production. |
| November 2019 | Completed the property rights of land and buildings of the Qingyuan branch of Dongguan Changming Compound Materials Co., Ltd. transformation. |
| December 2019 | Nanjing Gaochunqu market supervision administration foreign investment company approved the cancellation of the registration of Nanjing Pontex Polyblend Co., Ltd.. |
| January 2020 | The Qingyuan branch of Dongguan Changming Compound Materials Co., Ltd. officially opened |
| March 2020 | VietNam Pontex Polyblend Co., Ltd. plant extension was completed. |
| September 2020 | Dongguan Changming Compound Materials Co., Ltd. changed the name to Pontex(Q.Y) Polyblend Co., Ltd. |
| December 2020 | Pontex(Q.Y) Polyblend Co., Ltd. completed the cancellation of tax registration in Dongguan and officially transferred the operation to Qingyuan. |
| March 2021 | Completed the modification of the land proprietary rights holder to VietNam Pontex Polyblend Co., Ltd. |

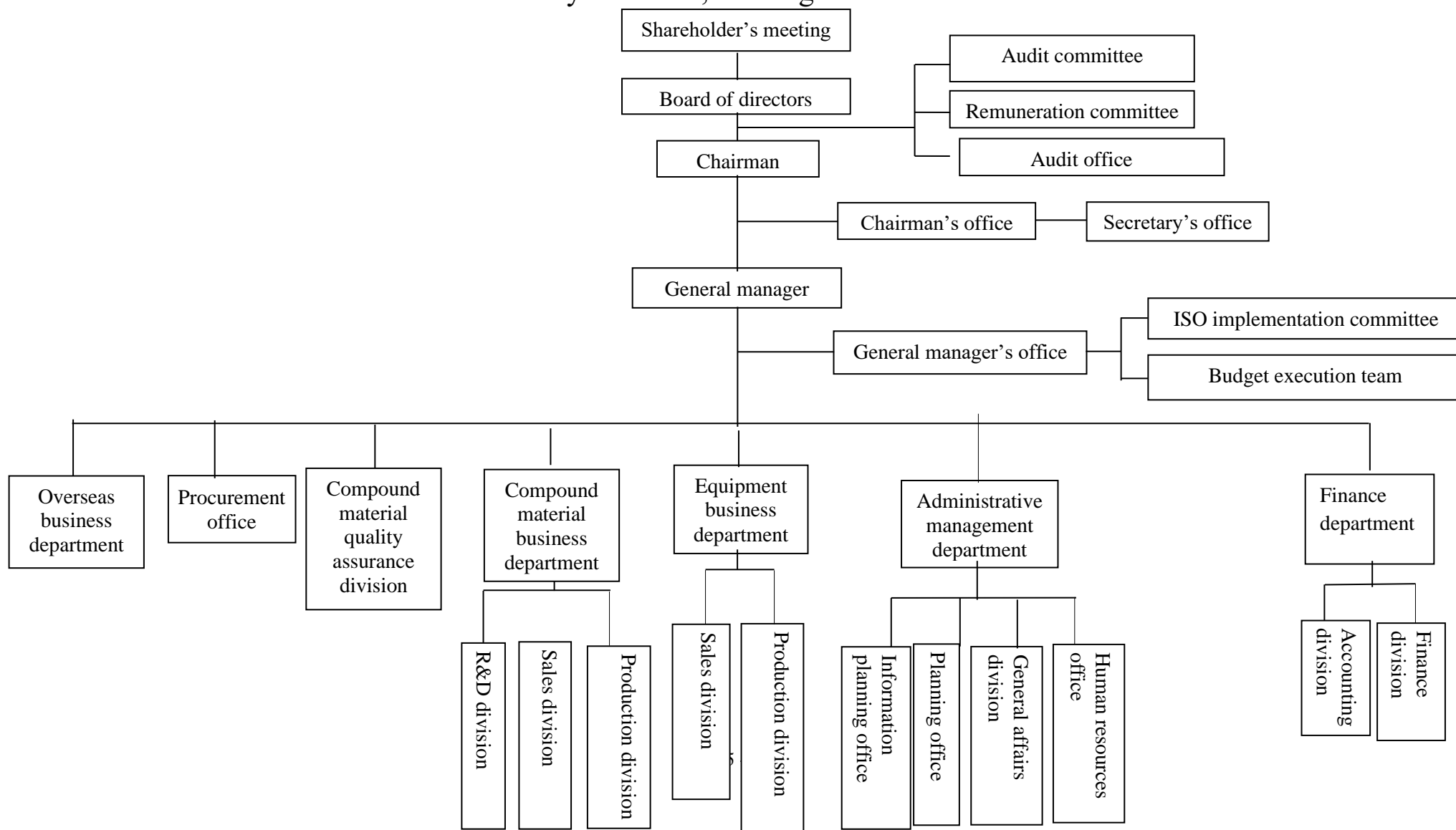
| Date | Milestones |
|---------------|--|
| October 2021 | Obtained Global Recycling Standard (GRS) Certification. |
| December 2021 | OEM for CROCS's second generation of new LiteRide series shoes. |
| May 2022 | Obtained a Chinese invention patent for electroplatable high-density plastic, certificate number 5181045. |
| March 2023 | Obtained the Taiwan invention patent for high-strength and corrosion-resistant compound materials and industrial products”, patent number I795202. |
| April 2023 | Replenished operating capital and repaid loans through a private placement cash increase of NT\$66,660,000, resulting in a post-increase capital of NT\$909,660,000. |

III. Corporate Governance Report

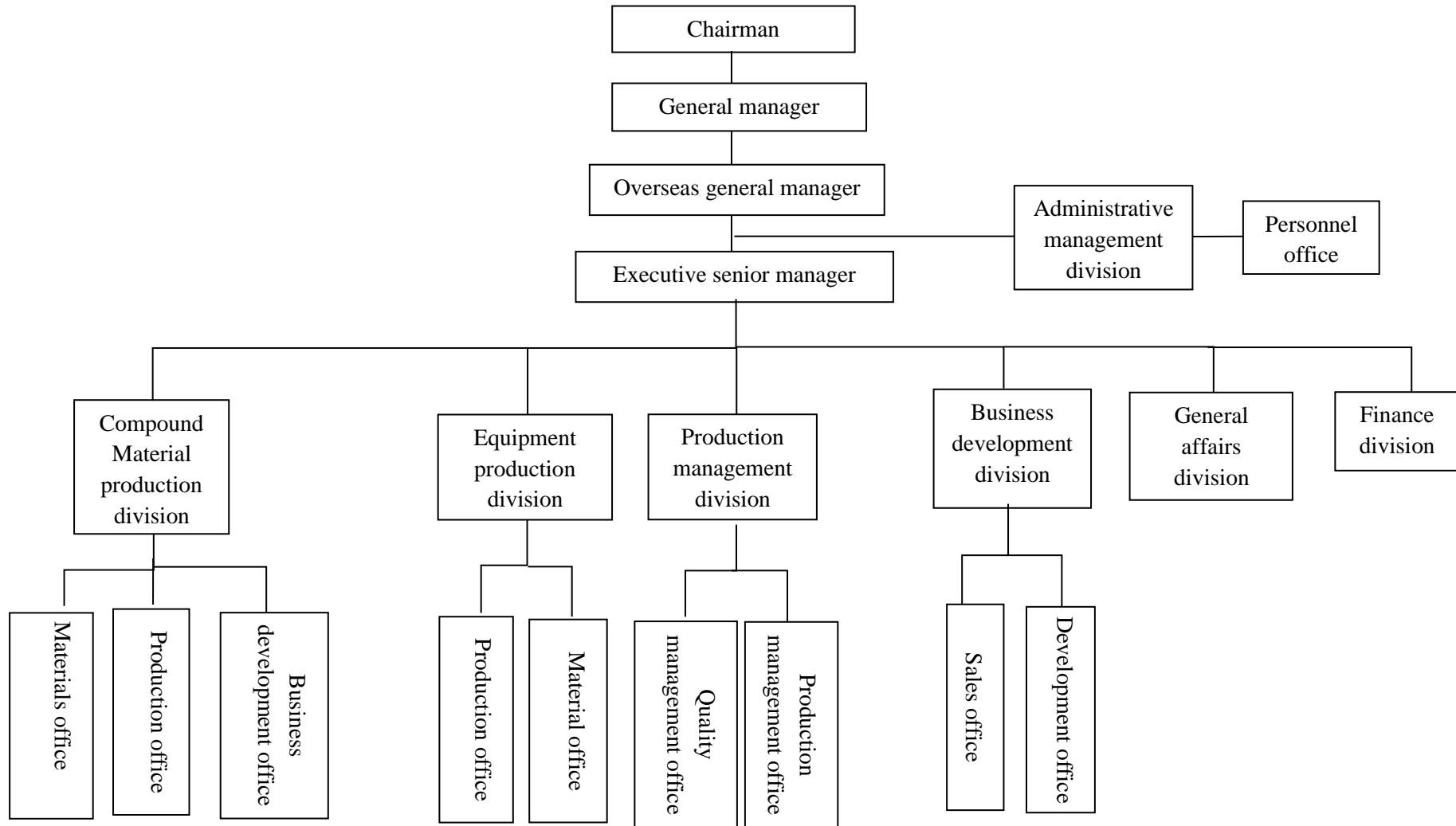
3.1 Organization

3.1.1 Organizational chart

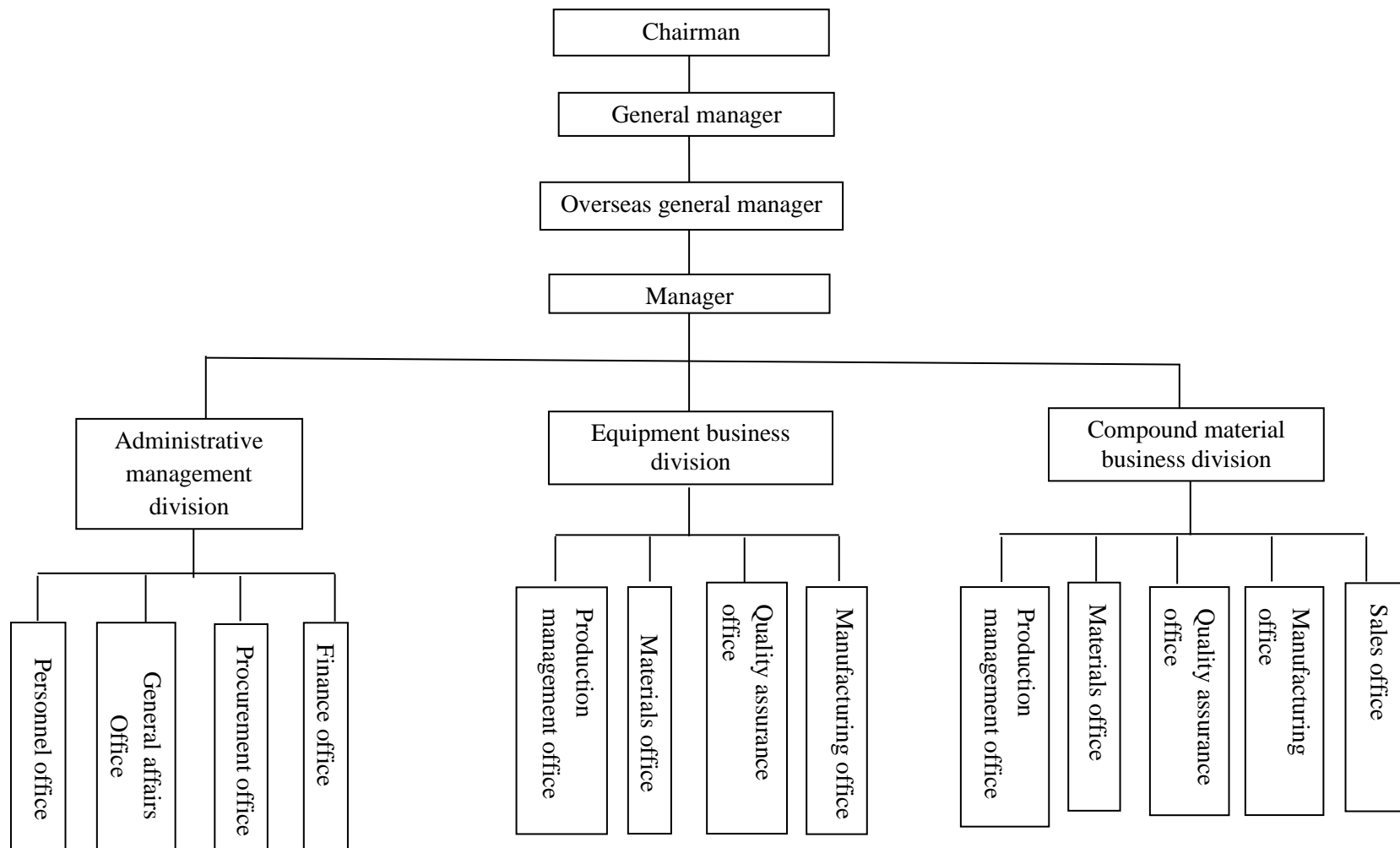
Pontex Polyblend Co., Ltd. organizational chart



Pontex(Q.Y) Polyblend Co., Ltd. Organization System Chart



VietNam Pontex Polyblend Co., Ltd. Organization System Chart



3.1.2 Major Corporate Functions

| Taiwan Headquarters | |
|--|---|
| Department | Functions |
| Board of directors | The evaluation and analysis of business performance and planning of major investments. |
| Audit office | Audit and evaluate the implementation and suggestions of internal control of each department. |
| Chairman's office | <ol style="list-style-type: none"> 1. The treatment of corporate-related legal cases and custody of certificates, contracts, and legal documents. 2. The investigation, research, and preservation applications of intellectual property rights. 3. Assist relevant departments with negotiating with the legal consultant and obtaining appropriate support. |
| General manager's office | <ol style="list-style-type: none"> 1. The evaluation and analysis of the internal and external business environment. 2. The promotion of various management systems and projects, and the planning of business strategy. 3. The evaluation, analysis, and management of new business and re-investment. 4. The planning, implementation, collection, analysis, review, and management of the annual budget. 5. The promotion, inspection, and regulation of ISO-related affairs. 6. The management of the corporate's various certification systems. |
| Finance department | The management of the fund, the handling of accounts, tax, and stock affairs, the preparation and analysis of various financial statements and salary calculation. |
| Administrative management department (General affairs division, Human resources office, Information planning office, Planning office) | <ol style="list-style-type: none"> 1. The planning, execution, and management of human resources, such as talent planning, election, education, arrangement, and retention. 2. The planning, evaluation, introduction, maintenance, and management of the Company's various personnel-related policies and management system. 3. The planning, management, and execution of general affairs and fixed assets. 4. The advocacy, execution, and maintenance of safe and health policies and laws. 5. The maintenance of public relations, management of welfare and management and maintenance of equipment. 6. The overall planning and management of the information operating system, and daily maintenance of the system. 7. The planning, management, setting, and maintenance of computer network and communication system. 8. The planning, evaluation, management, and maintenance of computers, their peripheral equipment, and packaged software. |

| Taiwan Headquarters | |
|---|---|
| Department | Functions |
| | <p>9. The planning, evaluation, introduction, management, and maintenance of independent or outsourcing development of the computerized operating system.</p> <p>10. The planning and execution of the Company's promotion activities.</p> |
| Procurement office | <p>1. The establishment and execution of raw material purchase requisition and procurement process, basic material information, and procurement price standard.</p> <p>2. The raw material purchase requisition and procurement and supplier selection, counseling, and management.</p> <p>3. The procurement of engineering assets, fixed assets, and general affairs.</p> |
| Equipment business department (Sales division, Production division) | <p>1. Responsible for the Company's business related to the marketing planning, sales, and customer service of equipment injection components and ultra-light compound material, and accounts receivable.</p> <p>2. Development, examination, production technology, and the improvement of the yield rate of the equipment product.</p> |
| Compound material business department (Sales division, R&D division, Production division) | <p>1. Responsible for the Company's business related to the marketing planning, business development, sales, and customer service of engineering plastic compound materials and accounts receivable.</p> <p>2. The planning and execution of building a factory of overseas compound material business. The execution of business related to production and sales.</p> <p>3. The research, development, examination, production technology and the improvement of yield rate of engineering plastic compound materials.</p> <p>4. Responsible for the production schedule planning, production, quality management, outsourcing, warehousing, and delivery of engineering plastic compound materials.</p> |
| Compound material quality assurance division | <p>1. Responsible for the system establishment, execution, and management of incoming, manufacturing process, and finished product quality of various products in the compound material business department</p> <p>2. Calibration management of measuring and testing equipment.</p> |

| Pontex(Q.Y) Polyblend Co., Ltd. | |
|---------------------------------------|---|
| Department | Functions |
| Administrative management division | <ol style="list-style-type: none"> 1. The planning, execution and management of talent election, education, arrangement, and retention. 2. The coordination, maintenance, and management of various personnel and administrative related policies and management systems and salary calculation. |
| General affairs division | <ol style="list-style-type: none"> 1. The planning, management, and execution of general affairs and fixed assets. 2. The management of the staff dormitory and restaurant. 3. The management and maintenance of computers, their peripheral equipment, computer network, communication system, and ERP system. |
| Compound material production division | <ol style="list-style-type: none"> 1. The planning and improvement of the internal manufacturing process. 2. The control of production, manufacturing and production line and packaging. 3. Responsible for the Company's business related to the marketing planning, business development, sales, and customer service of various products with engineering plastic compound materials and accounts receivable. |
| Equipment production division | <ol style="list-style-type: none"> 1. The planning and improvement of the internal manufacturing process. 2. The control of production, manufacturing and production line and packaging. |
| Production management division | <ol style="list-style-type: none"> 1. The system establishment, execution, and control of incoming, manufacturing processes, and finished product quality. 2. Calibration management of measuring and testing equipment. 3. The production schedule planning, execution, warehousing, and management of delivering and delivering. |
| Business development division | <ol style="list-style-type: none"> 1. Responsible for the Company's business related to the marketing planning, business development, sales, and customer service of equipment injection components and various products with ultra-light compound materials and accounts receivable. 2. The development progress control of the new type. 3. Deal with quality customer complaints. |
| Finance division | The management of the fund, the handling of accounts, tax, and stock affairs, and the preparation and analysis of various financial statements. |

| VietNam Pontex Polyblend Co., Ltd. | |
|---|---|
| Department | Functions |
| Administrative management division | <ol style="list-style-type: none"> 1. The management of the fund, the handling of accounts, tax and the preparation of various financial statements 2. The planning, execution, and management of talent election, education, arrangement, and retention. 3. The coordination, maintenance, and management of various personnel and administrative related policies and management systems. 4. The planning, management, and execution of general affairs, and fixed assets. 5. The advocacy, execution, and maintenance of safety and health policies and laws. 6. The management and maintenance of public relations and welfare. 7. The management of the staff dormitory and restaurant. 8. The management and maintenance of computers, their peripheral equipment, computer network, and communication system. 9. Procurement. 10. Customs. |
| Equipment business division (Production management office, Materials office, Quality assurance office, Manufacturing office) | <ol style="list-style-type: none"> 1. The planning and improvement of the internal manufacturing process. 2. The control of production, manufacturing and production line and packaging. 3. Responsible for the quality system establishment, execution, and control of the incoming, manufacturing process, and finished product. 4. Calibration management of measuring and testing equipment. |

| VietNam Pontex Polyblend Co., Ltd. | |
|---|---|
| Department | Functions |
| Compound material business division (Quality management office, Materials office, Quality assurance office, Manufacturing office, Sales office) | <ol style="list-style-type: none"> 1. Responsible for the Company's business related to the marketing planning, business development, sales, and customer service of various products with engineering plastic compound materials and accounts receivable. 2. Responsible for the production schedule planning, production, quality management, warehousing, and delivery of engineering plastic compound material. 3. Responsible for the system establishment, execution, and control of the incoming, manufacturing process, and finished product. 4. Calibration management of measuring and testing equipment. |

3.2 Information of Directors, Supervisors, General Manager, Vice General Manager, Senior Manager, and Department and Subsidiary Managers:

(1) Name, experience (education) and shareholding and character of directors and supervisors

3.2.1 Directors and supervisors

9 April 2023 Unit: Shares

| Title (Note1) | Nationality/ Place of Incorporation | Name | Gender / Age (Note2) | Date Elected | Term (years) | Date First Elected (Note 3) | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) (Note 4) | Other Position | Executives, directors or supervisors who are spouses or within two degrees of kinship | | | Remark(s) (Note 5) |
|---------------------------------------|---|--|----------------------------|-----------------|-----------------|---|------------------------------|------|-------------------------|------|--------------------------------|------|--|------|--|---|---|----------------------|----------|-----------------------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | ROC | Henry Global Investment Co., Ltd. | - | 2 June 2022 | 3 | 4 June 2013 | 5,000,000 | 5.93 | 5,000,000 | 5.50 | 0 | 0.00 | 0 | 0.00 | Chairman, Pontex Polyblend Co., Ltd. | None | None | None | None | None |
| Chairman and general manager | ROC | Representative : SHEN, MAO- KEN | M | 2 June 2022 | 3 | 4 June 2013 | 2,170,000 | 2.57 | 2,170,000 | 2.39 | 1,380,000 | 1.52 | 0 | 0.00 | Graduated, Kaohsiung Medical University School of Dentistry Orthodontists, Republic of China Fellow, The International College of Dentists Director of Dentistry, Jen Ai Chang Gung Health Dali Branch Selected as one of the top | Chairman and general manager, Pontex Polyblend Co., Ltd. Director, Multitex Polyblend Co. Ltd. Director, Pontex(Q. Y) Polyblend Co., Ltd. Director, Polytech Global Ltd. Director, Cleated | Director | LAI, HSING- YI | Spouse | Note 5 |

| | | | | | | | | | | | | | | | | | | | |
|----------|-----|---|----------------------|-------------|-------------|-----------|------|-----------|------|---|------|---------|------|--|---------------------|------|------|------|------------------|
| | | | | | | | | | | | | | | 100 good doctors | Molding Global Ltd. | | | | |
| | | | | | | | | | | | | | | Selected as one of the top 100 important person on the 100th national anniversary | | | | | |
| | | | | | | | | | | | | | | Chairman, Pontex Polyblend Co., Ltd. | | | | | |
| Director | ROC | Fortune Ever Investment Co., Ltd | | 2 June 2022 | 3 June 2010 | 1,275,294 | 1.51 | 1,275,294 | 1.40 | 0 | 0.00 | 843,409 | 0.93 | Director, Pontex Polyblend Co., Ltd. | None | None | None | None | None |
| | ROC | Representative : SHONE, DE-GENT | M 61-70 years old | 2 June 2022 | 3 May 2014 | 500,000 | 0.59 | 500,000 | 0.55 | 0 | 0.00 | 0 | 0.00 | Master of Educational Administration, Philippine Christian University | None | None | None | None | None |
| Director | ROC | Peace Ever Investment Co., Ltd. | | 2 June 2022 | 3 June 2013 | 843,409 | 1.00 | 843,409 | 0.93 | 0 | 0.00 | 0 | 0.00 | Director, Pontex Polyblend Co., Ltd. | None | None | None | None | None |
| | ROC | Representative : JENG, RONG-JUH (Reelection on 2 June 2022. Transfer from supervisor to designator of director) | M 71-80 years old | 2 June 2022 | 3 June 2014 | 107,050 | 0.13 | 107,050 | 0.12 | 0 | 0.00 | 0 | 0.00 | EMBA, College of Management, National Yang Ming Chiao Tung University Manager of quality assurance, internal control, and audit, Industrial Technology Research Institute | None | None | None | None | Note 6 Note 7 |

| | | | | | | | | | | | | | | | | | | | | |
|----------|-----|--------------------------------|-------------------|-------------|---|-------------|--------|------|--------|------|---|------|---|--|---|---|------|------|------|------|
| | | | | | | | | | | | | | | Project Director of Aerospace Industry Quality and ISO 9001 Quality Management System Certification Program of Industrial Technology Research Institute (ITRI)Committee member of Std. Series Committee, Chinese Society for Quality | | | | | | |
| | | | | | | | | | | | | | | Director, Pontex Polyblend Co., Ltd. | | | | | | |
| Director | ROC | Bangtai Investment Co., Ltd | | 2 June 2022 | 3 | 2 June 2022 | 10,000 | 0.01 | 10,000 | 0.01 | 0 | 0.00 | 0 | 0.00 | Director, Pontex Polyblend Co., Ltd. | None | None | None | None | None |
| | ROC | Representative : CHEN, ZONG-YI | M 31-40 years old | 2 June 2022 | 3 | 2 June 2022 | 7,000 | 0.01 | 7,000 | 0.01 | 0 | 0.00 | 0 | 0.00 | Graduated, Department of Electronic Engineering, St. John’s University Sales Manager, Chien Yeu Enterprise Co., Ltd. | Independent director, Daily-Polymer Corp. Independent director, United Fiber Optic | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | |
|----------|-----|------------------------------|----------------------|-------------------|---|-------------------|-------|------|-------|------|---|------|---|--|---|--|------|------|------|
| | | | | | | | | | | | | | | Independent director, NewSoft Technology Corporation | Communicati on Inc. Independent director, NewSoft Technology Corporation Independent director, Taiwan Wax Company Ltd. | | | | |
| Director | ROC | Jiajie Heyi Co., Ltd. | | 2 June 2022 | 3 | 2 June 2022 | 1,000 | 0.00 | 1,000 | 0.00 | 0 | 0.00 | 0 | 0.00 | Director, Pontex Polyblend Co., Ltd. | None | None | None | None |
| | ROC | Representative : HSU, YIN-JU | F 31-40 years old | 2 June 2022 | 3 | 2 June 2022 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Graduated, Department of Mass Communication Fortune Institute of Technology Master student, Department of Business Administration, Cheng Shiu University | Independent director, Jia Jie Biomedical Co., Ltd. | None | None | None |

| | | | | | | | | | | | | | | | | | | | |
|----------------------|-----|--|----------------------|-------------|-------------|-----------|------|-----------|------|---|------|---|------|--|---|----------------------------|---------------|-------------------------------|--------|
| Director | ROC | CHANG, MING-TUNG (Reelection on 2 June 2022. Transfer from supervisor to director) | M 61-70 years old | 2 June 2022 | 3 June 2016 | 1,633,996 | 1.94 | 1,633,996 | 1.80 | 0 | 0.00 | 0 | 0.00 | Graduated, Department of Accounting, Soochow University Director, Pontex Polyblend Co., Ltd. | None | Representative of chairman | SHEN, MAO-KEN | within two degrees of kinship | Note 7 |
| Independent director | ROC | KUO, TIEN-TSAI | M 61-70 years old | 2 June 2022 | 3 June 2016 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ph.D., Department of Education, National Chengchi University Postdoctoral Research Fellow, University of Illinois Chicago Visit and research at University of Southampton The fifth session of members of the Legislative Yuan National senior examinations, passed the education administration category in first place | Convener of the Remuneration Committee and Audit Committee of the Company | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | |
|----------------------|-----|-------------------|----------------------|----------------|----------------|---------|------|---------|------|---|------|---|------|---|---|------|------|------|------|
| | | | | | | | | | | | | | | Vice professor and institute director, Institute of Education, Taiwan Shoufu University Independent Director and Remuneration Committee member, Pontex Polyblend Co., Ltd. | | | | | |
| Independent director | ROC | SHEN, HSIU-HSIUNG | M 81-90 years old | 6 June 2019 | 3 June 2019 | 146,728 | 0.17 | 594,728 | 0.65 | 0 | 0.00 | 0 | 0.00 | Graduated, National Taiwan Normal University / Completion of Graduate Program in education research Commissioner of education, Yunlin County Commissioner of education, Changhua County Commissioner of education, Chiayi County Director's Secretary, Provincial department of education Deputy chief, K-12 | Member of Remuneration Committee and Audit Committee of the Company | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | | |
|----------------------|-----|---------------|----------------------|-------------|-------------|---|---|------|---|------|--------|------|---|--|--|--|------|------|------|------|
| | | | | | | | | | | | | | | Education Administration, Ministry of Education President, Dounan Taian temple Education Foundation Independent Director and Remuneration Committee member, Pontex Polyblend Co., Ltd. | | | | | | |
| Independent director | ROC | HSU, CHI-SHAN | M 81-90 years old | 2 June 2022 | 2 June 2022 | 3 | 0 | 0.00 | 0 | 0.00 | 20,000 | 0.02 | 0 | 0.00 | Graduated, Nan Ying Senior Commercial & Industrial Vocational School / Passed the Special Examinations Level B financial executive personnel in 1956 Chief, Ministry of Finance, Taiwan Provincial Government/Inspector, Ministry of Finance / Director, Department of Finance, Kaosiung County Government /Director, Department of Finance, Changhua County Government | Member of the Audit Committee of the Company | None | None | None | None |

| | | | | | | | | | | | | | | | | | | | | |
|----------------------|-----|--------------|----------------------|-------------|-------------|---|---|------|---|------|---|------|---|------|---|--|------|------|------|------|
| Independent director | ROC | LEE, WEN-PIN | M 71-80 years old | 2 June 2022 | 2 June 2022 | 3 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master, Department of Business Administration, National Chung Cheng University /Passed the workshop of Business Computerization Consultant Workshop / Qualified Management Consultant, China Productivity | Member of the Audit Committee of the Company | None | None | None | None |
|----------------------|-----|--------------|----------------------|-------------|-------------|---|---|------|---|------|---|------|---|------|---|--|------|------|------|------|

Note 1: List the name of institutional shareholders and their representatives separately (for representatives of institutional shareholders, specify the name of the institutions) and fill in Table 1 below.

Note 2: Please indicate the exact age, and might express by range, such as 41~50 years old, or 51~60 years old.

Note 3: Fill in the date of serving as the Company's director or supervisor for the first time, and explain if there is any interruption in the term of office.

Note 4: The experience related to the current position, such as having worked in a CPA firm or an affiliated enterprise during the preceding disclosure period, the title and position in charge should be stated.

Note 5: Where the chairman of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed:

5-1 The chairman of the company serves as the general manager simultaneously, therefore, the chairman could have more information to understand operating conditions. The board of directors could grasp more operating conditions. Because of the flat organization, which elevates management efficiency and makes the execution more smoothly.

5-2 More than half of the company's directors are not employees or managers. Aside from strengthening the supervision and balancing mechanism, it could also reduce the concentration of power caused by the chairman who also is the general manager, resulting in a loss of objectivity and supervision.

Note 6: Reelection of shareholders meeting on 2 June 2022. The representative of director Peace Ever Investment Co., Ltd. was reassigned from Mr. YEN, SHIH-WEI to Mr. JENG, RONG-JUH.

Note 7: Reelection of shareholders meeting on 2 June 2022. Establishment of the audit committee according to law and dismissal of supervisors.

Note 8: Director LAI, HSING-YI resigned from the position of director of the Company on 23 March 2023.

2. Directors who are representative of the institutional shareholders, major shareholders of the institutional shareholders:

(1) Major shareholders of the institutional shareholders:

9 April 2023

| Name of institutional shareholders (Note 1) | Major shareholders of institutional shareholders (Note 2) |
|--|--|
| Henry Global Investment Co., Ltd. | LAI, HSING-YI 60%, SHEN, CHIA-AN 10%, SHEN, CHIA-LING 10%, SHEN, MAO-KEN 20% |
| Fortune Ever Investment Co., Ltd | SHONE, DE-GENT 97.50%, YANG, SHUN-TING 2.50% |
| Peace Ever Investment Co., Ltd. | Fortune Ever Investment Co., Ltd 100% |
| Bangtai Investment Co., Ltd | HONG, DE-NENG 95% 、SYU, HAN-YANG 5% |
| Jiajie Heyi Co., Ltd. | WANG, JYUN-WEI 10% 、WEI, JIN-YUN 90% |

Note 1: The directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders.

Note 2: Fill in the major shareholders' names of the institutional shareholders (10 largest holding percentages) and the holding percentage of each. If the major shareholders are institutional shareholders, fill in Table 2 below.

Note 3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation. If the donor has passed away, marked deceased.

(2) Major shareholders of the Company's major institutional shareholders

9 April 2023

| Name of institutional shareholders (Note 1) | Main shareholders (Note 2) |
|---|---|
| Fortune Ever Investment Co., Ltd | SHONE, DE-GENT 97.50%, YANG, SHUN-TING 2.5% |

Note 1: If the major shareholder indicated in Table 1 is an institutional shareholder, this section shall indicate the names of the institutional shareholders.

Note 2: Fill in the major shareholders' names of the institutional shareholders (10 largest holding percentages) and the holding percentage of each.

Note 3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation. If the donor has passed away, marked deceased.

3. Professional qualifications and independence analysis of directors and supervisors

| Requirements Name | Professional qualifications and experience (Note 1) | Independent status (Note 2) | Number of other public companies in which the individual is concurrently serving as an independent director |
|--|---|-----------------------------|---|
| Henry Global Investment Co., Ltd. Representative, SHEN, MAO-KEN | Possess the work experience required by the Company. Served as director, chairman and general manager. Not being a person specified in any subparagraph of Article 30 of the Company Act. | Not applicable | 0 |
| Fortune Ever Investment Co., Ltd. Representative, SHONE, DE-GENT | Possess the work experience required by the Company. Served as director. Not being a person specified in any subparagraph of Article 30 of the Company Act. | | 0 |
| Peace Ever Investment Co., Ltd. Representative, JENG, RONG-JUH | Possess the work experience required by the Company. Served as director. Not being a person specified in any subparagraph of Article 30 of the Company Act. | | 0 |
| Bangtai Investment Co., Ltd. Representative, CHEN, ZONG-YI | Possess the work experience required by the Company. Not being a person specified in any subparagraph of Article 30 of the Company Act. | | 4 |
| Jiajie Heyi Co., Ltd. Representative, HSU, YIN-JU | Possess the work experience required by the Company. Not being a person specified in any subparagraph of Article 30 of the Company Act. | | 1 |

| Requirements Name | Professional qualifications and experience (Note 1) | Independent status (Note 2) | Number of other public companies in which the individual is concurrently serving as an independent director |
|----------------------|---|--|---|
| CHANG, MING-TUNG | <p>Possess the work experience required by the Company.</p> <p>Not being a person specified in any subparagraph of Article 30 of the Company Act.</p> | | 0 |
| KUO, TIEN-TSAI | <p>Possess the work experience required by the Company.</p> <p>Served as an independent director.</p> <p>Not being a person specified in any subparagraph of Article 30 of the Company Act.</p> | <p>An independent director and convener of the Audit committee and Remuneration Committee who meets the requirement of independence, including but not limited to whether the self, spouse and second degree of kinship served as the directors, supervisors or employees of the company or its affiliated companies; do not hold the number of shares in the company; do not serve as directors, supervisor or employee of the company or affiliated companies with a specific relationship; the amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p> | 0 |

| Requirements Name | Professional qualifications and experience (Note 1) | Independent status (Note 2) | Number of other public companies in which the individual is concurrently serving as an independent director |
|----------------------|---|--|---|
| SHEN, HSIU-HSIUNG | <p>Possess the work experience required by the Company.</p> <p>Served as an independent director.</p> <p>Not being a person specified in any subparagraph of Article 30 of the Company Act.</p> | <p>An independent director and member of the Audit Committee and Remuneration Committee who meets the requirement of independence, including but not limited to whether the self, spouse and second degree of kinship served as the directors, supervisors or employees of the company or its affiliated companies; do not hold the number of shares in the company; do not serve as directors, supervisor or employee of the company or affiliated companies with a specific relationship; the amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p> | 0 |

| Requirements Name | Professional qualifications and experience (Note 1) | Independent status (Note 2) | Number of other public companies in which the individual is concurrently serving as an independent director |
|----------------------|---|--|---|
| HSU, CHI-SHAN | <p>Possess the work experience required by the Company.</p> <p>Not being a person specified in any subparagraph of Article 30 of the Company Act.</p> | <p>An independent director and member of the Audit Committee and Remuneration Committee who meets the requirement of independence, including but not limited to whether the self, spouse and second degree of kinship served as the directors, supervisors or employees of the company or its affiliated companies; do not hold the number of shares in the company; do not serve as directors, supervisor or employee of the company or affiliated companies with a specific relationship; the amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p> | 0 |

| Requirements Name | Professional qualifications and experience (Note 1) | Independent status (Note 2) | Number of other public companies in which the individual is concurrently serving as an independent director |
|----------------------|---|--|---|
| LEE, WEN-PIN | <p>Possess the work experience required by the Company.</p> <p>Not being a person specified in any subparagraph of Article 30 of the Company Act.</p> | <p>An independent director and member of the Audit Committee and Remuneration Committee who meets the requirement of independence, including but not limited to whether the self, spouse and second degree of kinship served as the directors, supervisors or employees of the company or its affiliated companies; do not hold the number of shares in the company; do not serve as directors, supervisor or employee of the company or affiliated companies with a specific relationship; the amount of remuneration received from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p> | 0 |

Note 8: Director LAI, HSING-YI resigned from the position of director of the Company on 23 March 2023.

4. Diversity and independence of the board of directors:

(1) Diversity of the board of directors: The members of the board of directors have currently met the requirements for diversity. However, to meet the needs of future development, the Company will continue to review the composition elements of diversity and strengthen the goal of the diversity of the board of directors members during re-election. The Company's concrete management goals are to gradually increase the number of board of directors members with cognition and background in corporate governance, environmental sustainability, corporate social responsibility, and law, to better supervise and guide the Company in response to international development trends.

(2) Independence of the board of directors: The company's board of directors is composed of 11 directors, including 4 independent directors. The number of independent directors accounts for 36.36% of all directors, and no more than two directors have a relationship with the spouse or second degree of kinship. Furthermore, there are no cases as stipulated in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. The primary responsibility of the Company's board of directors is to supervise the company's compliance with the law, finance transparency, timely disclosure of important information, and the ability to make objective and independent judgments on the company's financial business. Therefore, the Company has met the requirements of the law when the election.

Note 1: Professional qualifications and experience: separately state the professional qualifications and experience of each director and supervisor. If they are members of the audit committee and with accounting or financial expertise, should describe their accounting or financial background and work experience. Furthermore, illustrate whether there is none of the behaviors listed in Article 30 of the Company Act.

Note 2: The independent directors should state the correspondence of independence, including but not limited to whether the self, spouse, and second degree of kinship serve as the directors, supervisors or employees of the Company or its affiliated companies; The number of shares and proportion of the self, spouse, and second degree of kinship' (or in the name of others). Whether serving as the director, supervisor or employee of a company with a specific relationship with the company (refer to Article 3, Paragraph 1, Subparagraph 5 ~ 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of remuneration received from providing such business, legal, financial, and accounting services to the company or its affiliated companies in the last 2 years.

Note 3: For the method of disclosure, please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

2. The information of general managers, vice general managers, senior managers, and managers of departments or branches

9 April 2023

| Title (Note 1) | Nationality | Name | Gender | Date Elected | Shareholdings | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangements | | Experience (Education) (Note 2) | Other Position | Managers Who are Spouses or within Two Degrees of Kinship | | | Remarks(s) (Note 3) |
|------------------------------|-------------|---------------|--------|----------------|---------------|------|-----------------------------|------|--------------------------------------|------|--|--|---|------|--------------|---------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Chairman and general manager | ROC | SHEN, MAO-KEN | M | 4 June 2013 | 2,170,000 | 2.39 | 1,380,000 | 1.52 | 0 | 0.00 | Graduated, Kaohsiung Medical University School of Dentistry Orthodontists, Republic of China Fellow, The International College of Dentists Director of Dentistry, Jen Ai Chang Gung Health Dali Branch Selected as one of the top 100 good doctors Selected as one of the top 100 important person on the 100th national anniversary Chairman, Pontex Polyblend Co., Ltd. | Director, MULTITEX POLYBLEND CO., LTD. Director, Pontex(Q.Y) Polyblend Co., Ltd. Director, Polytech Global Ltd. Director, Cleated Molding Global Ltd. | None | None | None | Note 3 |
| General Manager | ROC | YU, YU-FA | M | 1 January 2015 | 2,333,367 | 2.57 | 166,417 | 0.18 | 0 | 0.00 | Five-year Department of Mechanical Engineering, National Taipei University of Technology | General Manager, VietNam Pontex Polyblend Co., Ltd. | None | None | None | - |

| Title (Note 1) | Nationality | Name | Gender | Date Elected | Shareholdings | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangements | | Experience (Education) (Note 2) | Other Position | Managers Who are Spouses or within Two Degrees of Kinship | | | Remarks(s) (Note 3) |
|----------------------|-------------|---------------|--------|--------------|---------------|------|-----------------------------|------|--------------------------------------|------|--|---|---|------|--------------|---------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | General manager, Pontex Polyblend Co., Ltd. | | | | | |
| Vice General Manager | ROC | TSENG, SAN-PI | M | 1 May 2011 | 2,100,152 | 2.31 | 13,604 | 0.01 | 0 | 0.00 | Digital Master's Program of Business Administration, Feng Chia University Department of Business Administration, Chaoyang University of Technology Vice general manager, Pontex Polyblend Co., Ltd. General manager, VietNam Pontex Polyblend Co., Ltd. President, Dongguan Dalingshan Taiwan Business Association | General manager, Pontex(Q.Y) Polyblend Co., Ltd. General manager, VietNam Pontex Polyblend Co., Ltd. | None | None | None | - |

| Title (Note 1) | Nationality | Name | Gender | Date Elected | Shareholdings | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangements | | Experience (Education) (Note 2) | Other Position | Managers Who are Spouses or within Two Degrees of Kinship | | | Remarks (Note 3) |
|----------------------|-------------|-----------------|--------|----------------|---------------|------|-----------------------------|------|--------------------------------------|------|--|---|---|------|--------------|------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Vice General Manager | ROC | WU, MEI-LING | F | 1 January 2015 | 23,000 | 0.03 | 0 | 0.00 | 0 | 0.00 | Department of Economics, Soochow University Sales Secretary, Fuhongxiang Co., Ltd. Sales secretary, Woodworth Wooden Industries Co., Ltd. Vice general manager of the compound material business department, Pontex Polyblend Co., Ltd. | None | None | None | None | - |
| Senior Manager | ROC | LIN, HSIEN-YUAN | M | 2 March 2015 | 12,364 | 0.01 | 0 | 0.00 | 0 | 0.00 | Department of Chemical Engineering, National United University Vice general manager of the chemical material business department, Pou Chen Corporation | Senior Manager of Compound material Business Department of Overseas Business Department, Pontex Polyblend Co., Ltd. | None | None | None | - |

| Title (Note 1) | Nationality | Name | Gender | Date Elected | Shareholdings | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangements | | Experience (Education) (Note 2) | Other Position | Managers Who are Spouses or within Two Degrees of Kinship | | | Remarks(s) (Note 3) |
|-------------------|-------------|-----------------|--------|--------------|---------------|------|-----------------------------|------|--------------------------------------|------|--|----------------|---|------|--------------|---------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| | | | | | | | | | | | Senior manager of the compound material business department, Pontex(Q.Y) Polyblend Co., Ltd. | | | | | |
| Senior Manager | ROC | LIAO, SHIH-YUAN | M | 1 July 2015 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Master of Polymer, National Taiwan University of Science and Technology Senior manager of the R&D division of compound material business department, Pontex Polyblend Co., Ltd. | None | None | None | None | - |

| Title (Note 1) | Nationality | Name | Gender | Date Elected | Shareholdings | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangements | | Experience (Education) (Note 2) | Other Position | Managers Who are Spouses or within Two Degrees of Kinship | | | Remarks(s) (Note 3) |
|--------------------------------|-------------|--------------------|--------|-----------------|---------------|------|-----------------------------|------|--------------------------------------|------|--|----------------|---|------|--------------|---------------------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship | |
| Executive Senior Manager | ROC | HORNG, JING-CHERNG | M | 1 January 2015 | 0 | 0.00 | 2,029 | 0.00 | 0 | 0.00 | Department of Accounting, Feng Chia University Executive senior manager of the administrative management department, Pontex Polyblend Co., Ltd. | None | None | None | None | - |
| Financial / Accounting Officer | ROC | CHUNG, HSIU-CHU | F | 4 November 2015 | 4,904 | 0.01 | 0 | 0.00 | 0 | 0.00 | Department of Business, National Open University Manager of the finance department, Pontex Polyblend Co., Ltd. | None | None | None | None | - |

Note 1: The information of the general manager, vice general managers, senior managers, and managers of departments or branches should be included. positions equivalent to the general manager, vice general manager, or senior managers should also be included regardless of the title.

Note 2: The experience related to the current position, such as having worked in an accounting firm or an affiliated corporate during the period disclosure before, the title and position in charge should be stated.

Note 3: Where the chairman of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed:

(1) The chairman of the company serves as the general manager simultaneously, therefore, the chairman could have more information to understand operating conditions. The board of directors could grasp more operating conditions. Because of the flat organization, which elevates management efficiency and makes the execution more smoothly.

(2) More than half of the company's directors are not employees or managers. Aside from strengthening the supervision and balancing mechanism, it could also reduce the concentration of power caused by the chairman who also is the general manager, resulting in a loss of objectivity and supervision.

3.2.3 Remuneration of Directors, Supervisors, General Manager and Vice General Manager, etc.:

(1) Remuneration to directors and independent directors (A company that has posted after-tax deficits within the three most recent fiscal years shall disclose the name and remuneration paid to directors.)

| Title | Name | Remuneration | | | | | | | | Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10) | | Relevant Remuneration Received by Directors Who are Also Employed | | | | | | | | Ratio of total compensation (A+B+C+D+E+F+G) to net income (%) (Note 10) | | Remuneration from other than subsidiaries or from the parent company (Note 11) |
|----------|-----------------------------------|--------------------------------|---|-------------------|---|-------------------------------------|---|------------------------|---|---|---|---|---|-------------------|--|------------------------------------|--|-------------|--|---|-------|--|
| | | Base Compensation (A) (Note 2) | | Severance pay (B) | | Directors Compensation (C) (Note 3) | | Allowance (D) (Note 4) | | | | Salary, Bonuses, and Allowances (E) (Note 5) | | Severance Pay (F) | | Employee Compensation (G) (Note 6) | | | | | | |
| | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | Companies in the financial report (Note 7) | The Company | Companies in the financial report (Note 7) | The Company | Companies in the financial report (Note 7) | | | |
| Chairman | Henry Global Investment Co., Ltd. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 908 | 908 | 0 | 0 | 0 | 0 | 0 | 0 | 3.32 | 3.32 | - |
| | Legal representative, | 0 | 0 | 0 | 0 | 207 | 207 | 0 | 0 | 0.76 | 0.76 | 3,172 | 4,971 | 0 | 0 | 47 | 0 | 47 | 0 | 12.52 | 19.10 | - |

| | | | | | | | | | | | | | | | | | | | | | | |
|----------|--|----|----|---|---|----|----|----|----|------|------|---|---|---|---|---|---|---|---|------|------|---|
| | SHEN, MAO-KEN | | | | | | | | | | | | | | | | | | | | | |
| Director | Fortune Ever Investment Co., Ltd | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | - |
| | Legal representative, SHONE, DE-GENT | 82 | 82 | 0 | 0 | 82 | 82 | 60 | 60 | 0.82 | 0.82 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.82 | 0.82 | - |
| Director | Peace Ever Investment Co., Ltd. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | - |
| | Legal Representative, JENG, RONG-JUH | 82 | 82 | 0 | 0 | 48 | 48 | 36 | 36 | 0.61 | 0.61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.61 | 0.61 | - |
| | Legal Representative, YEN, SHIH-WEI (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 | 35 | 35 | 24 | 24 | 0.22 | 0.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.22 | 0.22 | - |
| Director | Bangtai Investment Co., Ltd | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | - |
| | Legal Representative, CHEN, ZONG-YI | 82 | 82 | 0 | 0 | 48 | 48 | 36 | 36 | 0.61 | 0.61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.61 | 0.61 | - |

| | | | | | | | | | | | | | | | | | | | | | | |
|----------------------|---|----|----|---|---|-----|-----|----|----|------|------|------|-------|---|---|----|---|----|---|------|------|---|
| Director | Jiajie Heyi Co., Ltd. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | - |
| | Legal Representative, HSU, YIN-JU | 82 | 82 | 0 | 0 | 48 | 48 | 36 | 36 | 0.61 | 0.61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.61 | 0.61 | - |
| Director | LAI, HSING-YI (Resigned on 23 March 2023) | 82 | 82 | 0 | 0 | 124 | 124 | 60 | 60 | 0.97 | 0.97 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.97 | 0.97 | - |
| Director | TSENG, SAN-PI (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 | 35 | 35 | 0 | 0 | 0.13 | 0.13 | 2,06 | 2,604 | 0 | 0 | 43 | 0 | 43 | 0 | 7.83 | 9.80 | - |
| Director | CHANG, MING-TUNG | 82 | 82 | 0 | 0 | 48 | 48 | 36 | 36 | 0.61 | 0.61 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.61 | 0.61 | |
| Independent director | KUO, TIEN-TSAI | 82 | 82 | 0 | 0 | 83 | 83 | 84 | 84 | 0.91 | 0.91 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.91 | 0.91 | |
| Independent director | SHEN, HSIU-HSIUNG | 82 | 82 | 0 | 0 | 83 | 83 | 84 | 84 | 0.91 | 0.91 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.91 | 0.91 | |
| Independent director | HSU, CHI-SHAN | 82 | 82 | 0 | 0 | 48 | 48 | 48 | 48 | 0.65 | 0.65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.65 | 0.65 | |
| Independent director | LEE, WEN-PIN | 82 | 82 | 0 | 0 | 48 | 48 | 48 | 48 | 0.65 | 0.65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.65 | 0.65 | |

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance of responsibilities, risks, time invested and other factors to the amount of remuneration: The remuneration of the directors of the Company is paid by the board of directors by the authorization of the Articles of Incorporation, according to the director's participation in the company's operations and contribution, and taking domestic and foreign industry standards into consideration. When the company is profitable, the board of directors approves the distribution of directors' remuneration and employee's compensation by the Articles of Incorporation on 9 March 2023. Independent directors are the members of the Audit Committee. In addition to the remuneration paid to directors, considering the responsibilities, risks, and investment time, different reasonable remunerations are determined.

2. In addition to the table disclosure above, the other remuneration to the directors of the Company in the last year from all companies in financial reports (such as to be a consultant, not an employee): None

(2) Remuneration to directors and independent directors (A company that has posted after-tax deficits within the three most recent fiscal years shall disclose the name of directors according to the remuneration range.)

| Title | Name | Remuneration | | | | | | | | Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10) | Remuneration to concurrent employees | | | | | | Ratio of total compensation | | Remuneration from ventures other than subsidiaries or from the parent company (Note 11) | | |
|-------|------|--------------------------------|---|-------------------|---|-------------------------------------|---|------------------------|---|---|--|---|-------------------|---|------------------------------------|---|---|---|---|--|--|
| | | Base Compensation (A) (Note 2) | | Severance pay (B) | | Directors Compensation (C) (Note 3) | | Allowance (D) (Note 4) | | | Salary, Bonuses, and Allowances (E) (Note 5) | | Severance Pay (F) | | Employee Compensation (G) (Note 6) | | (A+B+C+D+E+F+G) to net income (%) (Note 10) | | | | |
| | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | | | |
| | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | arket Value) | Fair Market Value) | | | | |
|----------|---|-----|-----|---|---|-----|-----|-----|-----|------|------|-------|-------|---|---|----|---------------------|------------------------------|---|-------|-------|---|
| Director | Henry Global Investment Co., Ltd. | 492 | 492 | 0 | 0 | 675 | 675 | 288 | 288 | 5.32 | 5.32 | 6,144 | 8,483 | 0 | 0 | 90 | 0 | 90 | 0 | 28.11 | 36.66 | - |
| | Legal Representative, SHEN, MAO-KEN | | | | | | | | | | | | | | | | | | | | | - |
| | Fortune Ever Investment Co., Ltd | | | | | | | | | | | | | | | | | | | | | - |
| | Legal Representative, SHONE, DE-GENT | | | | | | | | | | | | | | | | | | | | | - |
| | Peace Ever Investment Co., Ltd. | | | | | | | | | | | | | | | | | | | | | - |
| | Legal Representative, JENG, RONG-JUH | | | | | | | | | | | | | | | | | | | | | - |

| | | | | | | | | | | | | | | | | | | | | | |
|-------------------------|--|-----|-----|---|---|-----|-----|-----|-----|------|------|---|---|---|---|---|---|---|------|------|---|
| | Legal Representative, YEN, SHIH-WEI (Resigned on 22 June 2022) | | | | | | | | | | | | | | | | | | | | - |
| | Bangtai Investment Co., Ltd | | | | | | | | | | | | | | | | | | | | - |
| | Legal Representative, CHEN, ZONG-YI | | | | | | | | | | | | | | | | | | | | - |
| | Jiajie Heyi Co., Ltd. | | | | | | | | | | | | | | | | | | | | - |
| | Legal Representative, HSU, YIN-JU | | | | | | | | | | | | | | | | | | | | - |
| | LAI, HSING-YI (Resigned on 23 March 2023) | | | | | | | | | | | | | | | | | | | | - |
| | CHANG, MING- TUNG | | | | | | | | | | | | | | | | | | | | - |
| | TSENG, SAN-PI (Resigned on 22 June 2022) | | | | | | | | | | | | | | | | | | | | - |
| Independent Director | KUO, TIEN-TSAI | | | | | | | | | | | | | | | | | | | | - |
| | SHEN, HSIU- HSIUNG | 328 | 328 | 0 | 0 | 262 | 262 | 264 | 264 | 3.12 | 3.12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.12 | 3.12 | - |
| | HSU, CHI-SHAN | | | | | | | | | | | | | | | | | | | | - |
| | LEE, WEN-PIN | | | | | | | | | | | | | | | | | | | | - |

1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance of responsibilities, risks, time invested and other factors to the amount of remuneration: The remuneration of the directors of the Company is paid by the board of directors by the authorization of the Articles of Incorporation, according to the director's participation in the company's operations and contribution, and taking domestic and foreign industry standards into consideration. When the company is profitable, the board of directors approves the distribution of directors' remuneration and employee's compensation by the Articles of Incorporation on 9 March 2023. Independent directors are the members of the Audit Committee. In addition to the remuneration paid to directors, considering the responsibilities, risks, and investment time, different reasonable remunerations are determined.

2. In addition to the table disclosure above, the other remuneration to the directors of the Company in the last year from all companies in financial reports (such as to be a consultant, not an employee): None

*The directors (not independent directors) and independent directors should be listed separately.

(3) Range of remuneration

| Range of remuneration (NT\$) | Name of directors | | | |
|---------------------------------|---|---|---|---|
| | Sum of A, B, C, D | | Sum of A, B, C, D, E, F, G | |
| | The Company (Note 8) | Companies in the consolidated financial statements (Note 9) H | The Company (Note 8) | Companies in the consolidated financial statements (Note 9) I |
| Less than NT\$1,000,000 | Henry Global Investment Co., Ltd. Legal Representative, SHEN, MAO-KEN, Fortune Ever Investment Co., Ltd. Legal Representative, SHONE, DE-GENT, Peace Ever Investment Co., Ltd. Legal Representative, JENG, RONG-JUH (Joined on 2 June 2022), YEN, SHIH-WEI (Resigned on 2 June 2022), | Henry Global Investment Co., Ltd. Legal Representative, SHEN, MAO-KEN, Fortune Ever Investment Co., Ltd. Legal Representative, SHONE, DE-GENT, Peace Ever Investment Co., Ltd. Legal Representative, JENG, RONG-JUH (Joined on 2 June 2022), YEN, SHIH-WEI (Resigned on 2 June 2022), | Fortune Ever Investment Co., Ltd. Legal Representative, SHONE, DE-GENT, Peace Ever Investment Co., Ltd. Legal Representative, JENG, RONG-JUH (Joined on 2 June 2022), YEN, SHIH-WEI (Resigned on 2 June 2022), Bangtai Investment | Fortune Ever Investment Co., Ltd. Legal Representative, SHONE, DE-GENT, Peace Ever Investment Co., Ltd. Legal Representative, JENG, RONG-JUH (Joined on 2 June 2022), YEN, SHIH-WEI (Resigned on 2 June 2022), Bangtai Investment Co., Ltd. Legal |

| | | | | |
|---|---|---|--|--|
| | Bangtai Investment Co., Ltd. Legal Representative, CHEN, ZONG-YI (Joined on 2 June 2022), Jiajie Heyi Co., Ltd. Legal Representative, HSU, YIN-JU (Joined on 2 June 2022), LAI, HSING-YI (Resigned on 23 March 2023), CHANG, MING-TUNG (Joined on 2 June 2022), TSENG, SAN-PI (Resigned on 2 June 2022), SHEN, HSIU-HSIUNG, KUO, TIEN-TSAI, HSU, CHI-SHAN, LEE, WEN-PIN | Bangtai Investment Co., Ltd. Legal Representative, CHEN, ZONG-YI (Joined on 2 June 2022), Jiajie Heyi Co., Ltd. Legal Representative, HSU, YIN-JU (Joined on 2 June 2022), LAI, HSING-YI (Resigned on 23 March 2023), CHANG, MING-TUNG (Joined on 2 June 2022), TSENG, SAN-PI (Resigned on 2 June 2022), SHEN, HSIU-HSIUNG, KUO, TIEN-TSAI, HSU, CHI-SHAN, LEE, WEN-PIN | Co., Ltd. Legal Representative, CHEN, ZONG-YI (Joined on 2 June 2022), Jiajie Heyi Co., Ltd. Legal Representative, HSU, YIN-JU (Joined on 2 June 2022), LAI, HSING-YI (Resigned on 23 March 2023), CHANG, MING-TUNG (Joined on 2 June 2022), TSENG, SAN-PI (Resigned on 2 June 2022), SHEN, HSIU-HSIUNG, KUO, TIEN-TSAI, HSU, CHI-SHAN, LEE, WEN-PIN | Representative, CHEN, ZONG-YI (Joined on 2 June 2022), Jiajie Heyi Co., Ltd. Legal Representative, HSU, YIN-JU (Joined on 2 June 2022), LAI, HSING-YI (Resigned on 23 March 2023), CHANG, MING-TUNG (Joined on 2 June 2022), TSENG, SAN-PI (Resigned on 2 June 2022), SHEN, HSIU-HSIUNG, KUO, TIEN-TSAI, HSU, CHI-SHAN, LEE, WEN-PIN |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 | | | | |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 | | | Henry Global Investment Co., Ltd. Legal Representative, SHEN, MAO-KEN, TSENG, SAN-PI (Resigned on 2 June 2022) | TSENG, SAN-PI (Resigned on 2 June 2022) |
| NT\$3,500,000 (inclusive) | | | | |

| | | | | |
|--|----|----|----|--|
| ~ NT\$5,000,000 | | | | |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 | | | | Henry Global Investment Co., Ltd. Legal Representative, SHEN, MAO-KEN |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 | | | | |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 | | | | |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 | | | | |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 | | | | |
| Greater than or equal to NT\$100,000,000 | | | | |
| Total | 11 | 11 | 11 | 11 |

Note 1: List the names of the directors separately (for institutional shareholders, list the names of the institutional shareholders and the representatives separately), as well as the directors and independent directors, and disclose all payments in summary. If a director also holds the position of general manager or vice general manager, fill in this table and table (1) below, or tables (2), and (3) below.

Note 2: The remuneration to the directors in the most recent year (including salaries, professional allowances, severance payment, different types of bonuses, and gratuities).

Note 3: The amount of remuneration paid to the directors passed by the board of directors on 10 March 2022.

Note 4: The director's related business implementation expense in the most recent year (including travel expenses, special allowance, allowances, and providing such as dormitory and vehicle). If providing a house, vehicle or other transportation vehicle or specific expense occurred, should disclose the character and cost of the assets, an actual amount or rent estimated at fair value, fuel and other payments. If a driver is assigned, specify the compensation of the driver by the Company but not included it as a part of the remuneration.

Note 5: The payment to directors who also performed as employees (including holding the position as general manager, vice general manager, other managers, and employee), including salaries, professional allowances, severance payment, different types of bonuses, gratuities, traveling expense, special allowance, allowances, and providing such as dormitory and vehicle. If providing a house, vehicle or other transportation vehicle or specific expense occurred, should disclose the character and cost of the assets, an actual amount or rent estimated at fair value, fuel and other payments. If a driver is assigned, specify the compensation of the driver by the Company but not included it as a part of the remuneration. Furthermore, the salary recognized under IFRS 2 "Share-Based Payment", the acquisition of share subscription warrants, restricted stock for employees, and the subscription of new shares in a cash capital increase, should be included as remuneration.

Note 6: If the directors also performed as employees (including holding the position as general manager, vice general manager, other managers, and employee) and received compensation as employees (including stock and cash), disclose the amount of remuneration to employee passed by the board of directors on 10 March 2022. If the estimation is not possible, calculate the amount planned to pay in the current period on the basis of the actual amount paid in the previous year, and fill in Table 1-(3).

Note 7: Disclose the total amount of payment of all companies (including the Company) included in the consolidated financial statements to the directors of the Company.

Note 8: Disclose the names of the directors in the respective bracket of the payment scale by the total amount of payment from the Company.

Note 9: Disclose the total of all itemized payments from all companies (including the Company) included in the consolidated financial statements to each director of the Company and disclose the names of the directors in respective brackets of the payment scale.

Note 10: Net income refers to the net income of the previous period. If IFRS has been adopted in reporting, net income shall be referred to the net income as presented in the separate financial statement covering the previous period.

Note 11:

- a. Put down the amount of remuneration from direct investee companies other than the subsidiaries or the parent company to the directors of the Company (If there is no payment, put down "None").
- b. If the directors have received payment from direct investee companies other than the subsidiaries or the parent company, include this amount in Column I of the payment scale, and rename the column name as "parent company and all direct investee companies"

c. Remuneration refers to the reward, payment (including payment to employees, directors, and supervisors) and performing professional duties to directors who also act in the capacity of directors, supervisors or managers in the direct investee companies other than the subsidiaries or in the parent company.

* The content of remuneration disclosed in this table is different from the purpose of taxation. This table is just for the disclosure of information only, not as a reference for taxation.

3.2. (1) Remuneration of supervisors (A company that has posted after-tax deficits within the three most recent fiscal years shall disclose the remuneration paid to supervisors.)

| Title | Name | Remuneration | | | | | | Ratio of total remuneration (A+B+C) to net income (%) (Note 8) | | Remuneration from ventures other than subsidiaries or from the parent company (Note 9) |
|------------|--|-----------------------------------|--|--------------------------------------|---|---------------------------|--|--|---|---|
| | | Base compensation (A) (Note 2) | | Bonus to supervisors (B) (Note 3) | | Allowance (C) (Note 4) | | | | |
| | | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | |
| Supervisor | JENG, RONG-JUH (Resigned on 2 June 2022) | 0 | 0 | 34 | 34 | 24 | 24 | 0.21 | 0.21 | - |
| Supervisor | CHANG, MING- TUNG (Resigned on 2 June 2022) | 0 | 0 | 34 | 34 | 24 | 24 | 0.21 | 0.21 | - |

| | | | | | | | | | | |
|------------|--|---|---|----|----|----|----|------|------|---|
| Supervisor | WEI, MEI-HUEI (Resigned on 2 June 2022) | 0 | 0 | 34 | 34 | 36 | 36 | 0.26 | 0.26 | - |
|------------|--|---|---|----|----|----|----|------|------|---|

3.2.(2) Remuneration to supervisors (A company that has posted after-tax deficits within the three most recent fiscal years shall disclose the name of supervisors according to the remuneration range)

| Title | Name | Remuneration | | | | | | Ratio of total remuneration (A+B+C) to net income (%) (Note 8) | | Remuneration from ventures other than subsidiaries or from the parent company (Note 9) |
|------------|---|------------------------------|--|-----------------------|--|---------------------------|--|--|--|--|
| | | Compensation (A) (Note 2) | | Bonus (B) (Note 3) | | Allowance (C) (Note 4) | | | | |
| | | The Company | Companies in the financial report (Note 5) | The Company | Companies in the financial report (Note 5) | The Company | Companies in the financial report (Note 5) | The Company | Companies in the financial report (Note 5) | |
| Supervisor | JENG, RONG-JUH (Resigned on 2 June 2022) | 0 | 0 | 102 | 102 | 84 | 84 | 0.68 | 0.68 | - |
| Supervisor | CHANG, MING-TUNG (Resigned on 2 June 2022) | | | | | | | | | - |

| | | | | | | | | | | |
|------------|--|--|--|--|--|--|--|--|--|---|
| Supervisor | WEI, MEI-HUEI (Resigned on 2 June 2022) | | | | | | | | | - |
|------------|--|--|--|--|--|--|--|--|--|---|

Note: Resigned on 2 June 2022 and established the Audit Committee on 2 June 2022.

3.2.(3) Range of Remuneration

| Range of Remuneration (NT\$) | Supervisors | |
|--|---|---|
| | Sum of A, B, C | |
| | The Company (Note 6) | Companies in the consolidated financial statements (Note 7) D |
| Less than NT\$1,000,000 | JENG, RONG-JUH, CHANG, MING-TUNG, WEI, MEI-HUEI | JENG, RONG-JUH, CHANG, MING-TUNG, WEI, MEI-HUEI |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 | | |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 | | |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 | | |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 | | |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 | | |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 | | |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000 | | |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 | | |
| Greater than or equal to NT\$100,000,000 | | |
| Total | 3 | 3 |

Note 1: List the names of the supervisors separately (for institutional shareholders, list the names of the institutional shareholders and the representatives separately), as well as the directors and independent directors, and disclose all payments in summary.

Note 2: The remuneration to the supervisors in the most recent year (including salaries, professional allowances, severance payment, and different types of bonuses).

Note 3: The amount of remuneration paid to the supervisors passed by the board of directors on 9 March 2023.

Note 4: The supervisor's related business implementation expense in the most recent year (including travel expenses, special allowance, allowances, and providing such as dormitory and vehicle). If providing a house, vehicle or other transportation vehicle or specific expense occurred, should disclose the character and cost of the assets, an actual amount or rent estimated at fair value, fuel and other payments. If a driver is assigned, specify the compensation of the driver by the Company but not included it as a part of the remuneration.

Note 5: Disclose the total amount of payment of all companies (including the Company) included in the consolidated financial statements to the supervisors of the Company.

Note 6: Disclose the names of the supervisors in the respective bracket of the payment scale by the total amount of payment from the Company.

Note 7: Disclose the total of all itemized payments from all companies (including the Company) included in the consolidated financial statements to each Supervisor of the Company and disclose the names of the Supervisors in respective brackets of the payment scale.

Note 8: Net income refers to the net income of the previous period. If IFRS has been adopted in reporting, net income shall be referred to as the net income as presented in the separate financial statement covering the previous period.

Note 9:

- a. Put down the amount of remuneration from direct investee companies other than the subsidiaries or the parent company to the supervisors of the Company (If there is no payment, put down "None").
- b. If the Supervisors have received payment from direct investee companies other than the subsidiaries or the parent company, include this amount in Column D of the payment scale, and rename the column name as "parent company and all direct investee companies"
- c. Remuneration refers to the reward, payment (including payment to employees, directors, and supervisors) and performing professional duties to directors who also act in the capacity of directors, supervisors or managers in the direct investee companies other than the subsidiaries or in the parent company.

Note 10: After the shareholders' meeting on 2 June 2022, the Audit Committee was established according to the law, and the supervisor was dismissed. JENG, RONG-JUH (New legal representative of Peace Ever Investment Co., Ltd.), CHANG, MING-TUNG (New director on 2 June 2022).

* The content of remuneration disclosed in this table is different from the purpose of taxation. This table is just for the disclosure of information only, not as a reference for taxation.

3.3. (1) Remuneration of general managers and vice general managers (disclosed the name and the way of remuneration individually)

| Title | Name | Salary (A) (Note 2) | | Severance pay (B) | | Bonuses and allowances (C) (Note 3) | | Employee compensation (D) (Note 4) | | | | Ratio of total compensation (A+B+C+D) to net income (%) (Note 8) | | Remuneration from ventures other than subsidiaries or from the parent company (Note 9) |
|------------------------------|---------------|---------------------|---|-------------------|---|-------------------------------------|---|------------------------------------|-------|---|-------|--|---|--|
| | | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | | Companies in the consolidated financial statements (Note 5) | | The Company | Companies in the consolidated financial statements (Note 5) | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman and general manager | SHEN, MAO-KEN | 1,802 | 3,601 | 0 | 0 | 1,370 | 1,370 | 47 | 0 | 47 | 0 | 11.77 | 18.34 | 207 |
| General manager | YU, YU-FA | 2,522 | 2,522 | 0 | 0 | 298 | 298 | 47 | 0 | 47 | 0 | 10.48 | 10.48 | - |

| | | | | | | | | | | | | | | |
|----------------------|----------------|-------|-------|---|---|-----|-----|----|---|----|---|------|------|----|
| Vice general manager | TSEN G, SAN-PI | 1,860 | 2,400 | 0 | 0 | 204 | 204 | 43 | 0 | 43 | 0 | 7.70 | 9.68 | 35 |
| Vice general manager | WU, MEI-LING | 1,249 | 1,249 | 0 | 0 | 92 | 92 | 43 | 0 | 43 | 0 | 5.06 | 5.06 | - |

* Disclose all people holding positions equivalent to the general manager, or vice general manager (e.g.: president, CEO, chief officer, and so forth) regardless of the title.

3.3.(2) Remuneration to general managers and vice general managers (disclose the name according to the remuneration range)

| Title | Name | Salary (A) (Note 2) | | Severance pay (B) | | Bonuses and Allowances (C) (Note 3) | | Employee Compensation (D) (Note 4) | | | | Ratio of total compensation (A+B+C+D) to net income (%) (Note 8) | | Remuneration from ventures other than subsidiaries or from the parent company (Note 9) |
|-----------------|------------|---------------------|---|-------------------|---|-------------------------------------|---|------------------------------------|-------|---|-------|--|---|--|
| | | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | | Companies in the consolidated financial statements (Note 5) | | The Company | Companies in the consolidated financial statements (Note 5) | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman and | SHEN, MAO- | 7,433 | 9,772 | 0 | 0 | 1,964 | 1,964 | 180 | 0 | 180 | 0 | 35.01 | 43.56 | 207 |
| General Manager | YU, YU-FA | | | | | | | | | | | | | - |

| | | | | | | | | | | | | | | |
|----------------------|----------------|--|--|--|--|--|--|--|--|--|--|--|--|----|
| Vice General Manager | TSEN G, SAN-PI | | | | | | | | | | | | | 35 |
| Vice General Manager | WU, MEI-LING | | | | | | | | | | | | | - |

* Disclose all people holding positions equivalent to General Manager, or Vice General Manager (e.g.: President, CEO, Chief Officer, and so forth) regardless of the occupational title.

3.3.(3) Range of Remuneration

| Range of Remuneration (NT\$) | Name of general managers and vice general managers | |
|--|--|--|
| | The Company (Note 6) | Companies in the financial report (Note 7) E |
| Less than 1,000,000 | | |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000 | WU, MEI-LING | WU, MEI-LING |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000 | SHEN, MAO-KEN, YU, YU-FA, TSENG, SAN-PI | YU, YU-FA, TSENG, SAN-PI |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000 | | |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000 | | SHEN, MAO-KEN |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 | | |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000 | | |
| NT\$30,000,000(inclusive) ~ NT\$50,000,000 | | |
| NT\$50,000,000 (inclusive) ~ NT\$100,000,000 | | |

| | | |
|--|---|---|
| Greater than or equal to NT\$100,000,000 | | |
| Total | 4 | 4 |

Note 1: List the names of the supervisors separately and disclose all payments in summary. If a director also holds the position of general manager or vice general manager, fill in this form and the form above (3.3. (1), 3.3. (2), and 3.3. (3)).

Note 2: The remuneration, professional allowances, and severance payment to the general manager and vice general manager in the most recent year.

Note 3: The different types of bonuses, gratuities, traveling expenses, special allowances, allowances, and providing such as dormitory and vehicle and other remuneration. If providing a house, vehicle or other transportation vehicle or specific expense occurred, should disclose the character and cost of the assets, an actual amount or rent estimated at fair value, fuel and other payments. If a driver is assigned, specify the compensation of the driver by the Company but not included as a part of the remuneration. Furthermore, the salary recognized under IFRS 2 “Share-Based Payment”, the acquisition of share subscription warrants, restricted stock for employees, and the subscription of new shares in a cash capital increase, should be included as remuneration.

Note 4: The amount of remuneration to the employee (including stock and cash) passed by the board of directors on 10 March 2022. If the estimation is not possible, calculate the amount planned to pay in the current period on the basis of the actual amount paid in the previous year, and fill in Table 1-(3).

Note 5: Disclose the total payment from all companies included in the financial statements (including the Company) to the general manager and the vice general managers of the Company.

Note 6: The total amount of payment to the general manager and the vice general managers of the Company and disclose the names of the persons in relevant brackets along the payment scale.

Note 7: Disclose the total amount of payment from all companies included in the financial statements (including the Company) to the general manager and each vice general manager and disclose the names of the persons in relevant brackets along the payment scale.

Note 8: Net income refers to the net income of the previous period. If IFRS has been adopted in reporting, net income shall be referred to as the net income as presented in the separate financial statement covering the previous period.

Note 9:

a. Put down the amount of related payment to the general managers and vice general managers from all direct investee companies other than the subsidiaries or the parent company (If there is no payment, put down “None”).

b. If the general managers and vice general managers were remunerated by direct investee companies other than the subsidiaries, put down the amount paid to the general managers and vice general managers of the Company from direct investee companies other than the subsidiaries or the parent company in relevant brackets along the payment scale in column E, and change the name of the column as “Parent company and all direct investee companies”.

c. Remuneration includes the reward and wages (including payment to employees, directors and supervisors) and professional allowances to the general manager and the vice general managers of the Company from direct investee companies other than the subsidiaries or the parent company in the capacity of directors, supervisors or managers of these companies.

* The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

3.4.(1) Managerial officers with the top five highest remuneration amounts in a TWSE/TPEX-listed company (disclose their names and remuneration method individually)

| Title | Name | Salary (A) (Note 2) | | Severance pay (B) | | Bonuses and Allowances (C) (Note 3) | | Employee Compensation (D) (Note 4) | | | | Ratio of total compensation (A+B+C+D) to net income (%) (Note 6) | | Remuneration from ventures other than subsidiaries or from the parent company (Note 7) |
|----------------------|----------------|---------------------|---|-------------------|---|-------------------------------------|---|------------------------------------|-------|---|-------|--|---|--|
| | | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | Companies in the consolidated financial statements (Note 5) | The Company | | Companies in the consolidated financial statements (Note 5) | | The Company | Companies in the consolidated financial statements (Note 5) | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairman | SHEN, MAO-KEN | 1, 802 | 3, 601 | 0 | 0 | 1, 370 | 1, 370 | 47 | 0 | 47 | 0 | 11. 77 | 18. 34 | 207 |
| General Manager | YU, YU-FA | 2, 522 | 2, 522 | 0 | 0 | 298 | 298 | 47 | 0 | 47 | 0 | 10. 48 | 10. 48 | – |
| Vice general manager | TSEN G, SAN-PI | 1, 860 | 2, 400 | 0 | 0 | 204 | 204 | 43 | 0 | 43 | 0 | 7. 70 | 9. 68 | 35 |
| Senior manager | LIN, HSIEN | 1, 004 | 1, 272 | 0 | 0 | 106 | 106 | 39 | 0 | 39 | 0 | 4. 20 | 5. 18 | – |

| | | | | | | | | | | | | | | |
|----------------------|--------------|--------|--------|---|---|----|----|----|---|----|---|-------|-------|---|
| Vice general manager | WU, MEI-LING | 1, 249 | 1, 249 | 0 | 0 | 92 | 92 | 43 | 0 | 43 | 0 | 5. 06 | 5. 06 | - |
|----------------------|--------------|--------|--------|---|---|----|----|----|---|----|---|-------|-------|---|

Note 1: The so-called "top five executives with the highest remuneration" refers to the identification standards for managers of the Company and the relevant managers based on the former Ministry of Finance's Securities and Futures Bureau, FSC on March 27, 2003, Tai-Tsai-Cheng-(san) No, 0920001301. As for the calculation and recognition principle of "top five highest remunerations", it is based on the total amount of salaries, pensions, bonuses, and special allowances received by the company's managers from all companies in the consolidated financial report, as well as the amount of employee remuneration (that is, A +B+C+D (total of four items), and after sorting, the top five highest remunerations will be determined. If the director concurrently serves as the former supervisor, this form and the above form should be filled out.

Note 2: Put down the salaries, professional allowances, and severance payments of the top five highest paid executives in the previous period.

Note 3: Put down different types of bonuses, gratuities, traveling subsidies, special expense accounts, allowances, and payment in kind including accommodation and company vehicle for the top five highest paid executives in the previous period. If housing, company car or other transportation vehicle or exclusive expense is incurred, disclose the nature and cost of the assets, the actual amount of rent or estimated at fair value, fuel payment and other payment. If a driver is assigned, specify the remuneration to the driver by the Company but not included it as a part of the remuneration. Salary expense recognized under IFRS 2 "Share-Based Payment", including the acquisition of ESO, RSU/RSA, and subscription of new shares for raising capital, which should be included as remuneration.

Note 4: Put down the amount of remuneration to the top five highest paid executives as employees (including stock and cash) passed by the Board on 10 March 2022. If the estimation is not possible, calculate the amount in proportion to the actual payment of the previous year, and fill in Table 1-(3).

Note 5: Disclose the total payment from all companies included in the financial statements (including the Company) to the top five highest paid executives of the Company.

Note 6: Net income refers to the net income of the previous period. If IFRS has been adopted in reporting, net income shall be referred to as the net income as presented in the separate financial statement covering the previous period.

Note 7:

a. Put down the amount of related payment to the top five highest paid executives from all direct investee companies other than the subsidiaries or the parent company (If there is no payment, put down "None").

b. Remuneration includes the reward and wages (including payment to employees, directors and supervisors) and professional allowances to the top five highest paid executives of the Company from direct investee companies other than the subsidiaries or the parent company in the capacity of directors, supervisors or managers of these companies.

* The remuneration disclosed in the table is different from income as defined in the Income Tax Act. This table is therefore provided for disclosure only and is not used for taxation purposes.

3.5 Employees' Profit Sharing Paid to Management Team

31 December 2022 Unit: NT\$ thousands

| | Title (Note 1) | Name (Note 1) | Stock (Fair Market Value) | Cash | Total | Ratio of total amount to net income (%) |
|-----------------------|-----------------------------------|------------------------|------------------------------|------|-------|--|
| managerial officer | Chairman and general manager | SHEN, MAO-KEN | 0 | 340 | 340 | 1.24 |
| | General manager | YU, YU-FA | | | | |
| | Vice general manager | TSENG, SAN-PI | | | | |
| | Vice general manager | WU, MEI-LING | | | | |
| | Executive senior manager | HORNG, JING- CHERNG | | | | |
| | Senior manager | LIN, HSIEN-YUAN | | | | |
| | Senior manager | LIAO, SHI-YUAN | | | | |
| | Financial / Accounting officer | CHUNG, HSIU- CHU | | | | |

Note 1: Disclose the name and occupational title of each person, and the distribution of earnings may be disclosed in aggregate.

Note 2: Put down the amount of remuneration to the managers as employees (including stock and cash) passed by the Board on 9 March 2023. If the estimation is not possible, calculate the amount in proportion to the actual payment of the previous year. Net income refers to the net income of the previous period. If IFRSs is adopted in reporting, net income shall be the net income stated in the separate financial statements.

Note 3: The scope of managers shall be defined under FSC Letter Taiwan-Finance-Securities (III)- No. 0920001301 dated 27 March 2003 specified as follows: (1) General Manager and equivalent rank (2) Vice General Manager and equivalent rank (3) Senior Manager and equivalent rank (4) Chief Financial Officer (5) Chief Accounting Officer (6) Any other authorized personnel charged with administrative duties and entitled to sign a document on behalf of and in the name of documents.

Note 4: If the directors, general manager and vice general managers were remunerated as employees (including stock and cash), fill in Table 1-(2), and this form.

3.6 Separately Compare and explain the total amount of remuneration paid to the company's directors, supervisors, general managers and vice general managers, etc. in the last two years by the Company and all companies in the consolidated financial statement, the analysis of the proportion of after-tax net profit in parent company only or individual financial reports, and explain the relationship between business performance and future risks and the policy, standard and composition of paying remuneration, the procedure of determining remuneration.

3.6.1 The ratio of the remuneration to net income paid to directors, supervisors, general manager and vice general manager

| Item Title | Ratio of total remuneration to net income | | | |
|--|---|--|-------------|--|
| | 2022 | | 2021 | |
| | The Company | Companies in the consolidated financial statements | The Company | Companies in the consolidated financial statements |
| Director | 31.23% | 39.78% | 17.30% | 22.67% |
| Supervisor | 0.68% | 0.68% | 1.32% | 1.32% |
| General manager and vice general manager | 15.54% | 15.54% | 22.24% | 27.61% |
| Total | 47.45% | 56.00% | 40.86% | 51.60% |

3.6.2 The policy and standard of paying remuneration, the procedure of combining and determining remuneration, and the relationship between business performance.

- (1) The remuneration of directors and supervisors of the company is divided into two items: the remuneration of directors and supervisors for receiving travel allowance when attending the joint meeting of directors and supervisors and profit distribution. If there is profit in the current year and the profit before tax per share exceeds NT\$1, no more than 8% will be distributed as remuneration for directors and supervisors under the articles of incorporation. The specific amount authorized by the remuneration committee shall be based on the resolutions following articles of incorporation, submitted to the board of directors for approval, and it is then submitted to the shareholders' meeting for report.

(2) The remuneration paid by the company to the general manager and vice general manager is handled by the company's personnel related regulations, and the payment is made after considering the annual performance assessment results of each person and the achievement of responsibility goals and other quantitative indicators.

(3) Relevance of business performance: The manager's remuneration is determined by the company's personnel management regulations.

(4) Relevance of future risks: If there is any surplus in the company's overall performance, it will be distributed according to the company's articles of incorporation, so that there will be no risk to the future.

To sum up, the company's policy of paying directors, supervisors, general manager and vice general manager remuneration and the procedure for setting remuneration have a positive correlation with business performance, and there is no factor to guide relevant personnel to increase the company's risk in pursuit of remuneration. Therefore, future risks should be limited.

4. Implementation of Corporate Governance

4.1 Operations of the board of directors:

The term of the 13th Board of Directors is from 6 June 2019 to 5 June 2022.

The term of the 14th Board of Directors is from 2 June 2022 to 2 June 2025.

A total of 9 (A) meetings of the Board of Directors were held in 2022 and up to the date of publication of the annual report. (5 times in 2022) The attendance of director was as follows:

| Title | Name (Note 1) | Attendance in person (B) | By Proxy | Attendance rate (%) (B/A) (Note 2) | Remarks |
|----------|---|--------------------------------|----------|---|--|
| Chairman | Henry Global Investment Co., Ltd. Representative: SHEN, MAO- KEN | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 |
| Director | Fortune Ever Investment Co., Ltd Representative: SHONE, DE- GENT | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 |
| Director | Peace Ever Investment Co., Ltd. Representative: JENG, RONG- JUH | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 (Director assigned the appointment) (Reelection from supervisor to designee of director) |
| Director | CHEN, ZONG- YI (Representative | 7 | 0 | 100.00% | Should attend 7 times. New appointed on 2 June |

| | | | | | |
|----------------------|--|---|---|---------|---|
| | of Bangtai Investment Co., Ltd) | | | | 2022 (Appointed by the director) |
| Director | HSU, YIN-JU (Representative of Jiajie Heyi Co., Ltd.) | 7 | 0 | 100.00% | Should attend 7 times. New appointed on 2 June 2022 (Appointed by the director) |
| Director | LAI, HSING-YI (Resigned on 23 March 2023) | 8 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 |
| Director | CHANG, MING-TUNG | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 (Reelection from supervisor to director) |
| Independent Director | KUO, TIEN-TSAI | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 |
| Independent Director | SHEN, HSIU-HSIUNG | 9 | 0 | 100.00% | Reelection and reappointment on 2 June 2022 |
| Independent Director | HSU, CHI-SHAN | 7 | 0 | 100.00% | Should attend 7 times. New appointed on 2 June 2022 |

| | | | | | |
|--|--|---|---|---|--|
| Independent Director | LEE, WEN-PIN | 5 | 0 | 71.43% | Should attend 7 times. New appointed on 2 June 2022 |
| Other mentionable items: I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: (1) Matters referred to Article 14-3 of the Securities and Exchange Act. | | | | | |
| Date / Session | Proposal | | | Opinions of all the Independent Directors | the Company to the opinions of the Independent Directors |
| 10 March 2022 13 th Session, No. 14 | 1. Proposal of 2021 Statement of Internal Control System. 2. Proposal of 2021 distribution of employee's salary and director and supervisor's remuneration. 3. Proposal of 2021 business report and financial statement. 4. Proposal of 2021 surplus earning or loss off-setting. 5. Proposal of reelection of the Company's director. 6. Proposal of 2022 regular meeting of shareholders' | | | Without objection or reservation. | None, all directors who attended agreed the proposal. |

| | | | |
|--|--|--|--|
| | <p>date, time and venue and other matters.</p> <p>7. Proposal of accepting the proposal from the shareholders holding one percent (1%).</p> <p>8. Proposal of accepting the candidate nomination of shareholders, directors (including independent director) holding one percent (1%).</p> <p>9. Proposal of private placement of common stock approved by the company's 2021 regular meeting of shareholders.</p> <p>10. Proposal of 2021 employees' and directors and supervisors' year-end bonuses.</p> <p>11. Proposal of 2021 performance evaluation result of the board of directors.</p> <p>12. Amendment of "Articles of Incorporation".</p> <p>13. Amendment of "Regulations of Electing Director and Supervisor".</p> <p>14. Amendment of "Procedures Governing the Acquisition and Disposal of Assets".</p> <p>15. Amendment of "Procedures Making of Endorsements/Guarantees".</p> <p>16. Amendment of "Procedures Governing Loaning of Funds".</p> <p>17. Amendment of "Processing procedure of</p> | | |
|--|--|--|--|

| | | | |
|--|---|--|--|
| | <p>derivative".</p> <p>18. Amendment of "Regulations Governing Procedure for Board of Directors Meetings".</p> <p>19. Amendment of "Procedure of tackling internal material information and avoiding insider trading management"</p> <p>20. Amendment of "Regulations of Long-term and Short-term Investment Management ".</p> <p>21. Amendment of "Regulations of Related Parties Trading Management".</p> <p>22. Amendment of "Ethical Corporate Management Best Practice Principles".</p> <p>23. Amendment of "Corporate Governance Best Practice Principles".</p> <p>24. Amendment of "Sustainable Development Best Practice Principles"</p> <p>25. Amendment of "Regulations of Remuneration Committee Organization"</p> <p>26. Amendment of "Rules Governing the Scope of Powers of Independent Directors".</p> <p>27. Formulation of "Regulations of Audit Committee organization".</p> <p>28. Amendment of "Regulations of Director</p> | | |
|--|---|--|--|

| | | | |
|---|--|-----------------------------------|---|
| | Remuneration Management". 29. Amendment of "Regulations of Employee Salary Management". | | |
| 21 April 2022 13 th Session, No. 15 | 1. Proposal of resolution on the list of candidates for directors and independent directors at the 2022 regular meeting of shareholders. 2. Proposal of handling private placement of common stock. 3. Amendments of convening of the 2022 regular meeting of shareholders. 4. Amendment of the internal control system-the management for payment requisition. 5. Formulation of the internal control system - the management for the audit committee's deliberation and operation. 6. Proposal of loaning of funds. | | |
| 2 June 2022 14 th Session, No. 1 | 1. Election of the Fourteenth chairman. | Without objection or reservation. | None, all directors who attended agreed the proposal. |
| 4 August 2022 14 th Session, No. 2 | 1. Adjustment of CPAs. 2. Appointment of the Company's fifth remuneration committee members. 3. The planning schedule of greenhouse gas inventory and verification. 4. Authorize the chairman to handle the margin | | |

| | | | |
|--|--|--|--|
| | <p>purchase with the First Bank.</p> <p>5. Amendment of the Company's internal control system purchase and payment cycle - part of the provisions of the inspection.</p> <p>6. Amendment of the Company's internal control system sale and receipt cycle (compound) - part of the provisions of shipping.</p> <p>7. Proposal of formulating specific improvement plan in internal control system.</p> | | |
| <p>3 November 2022</p> <p>14th Session, No. 3</p> | <p>1. The Company's 2023 audit plan.</p> <p>2. The 2023 business report.</p> <p>3. Amendment of some provisions of the Company's "Regulation for Performance Evaluation" for the board of directors.</p> <p>4. Amendment of "Procedure of tackling internal material information and avoiding insider trading management"</p> <p>5. Discussion of 2022 year-end bonuses of managers and directors.</p> | | |

| | | | |
|---|--|--|---|
| <p>9 March 2023</p> <p>14th Session, No. 4</p> | <p>1. Proposal of 2021 Statement of Internal Control System.</p> <p>2. Proposal of 2022 distribution of employee's salary and director and supervisor's remuneration.</p> <p>3. Proposal of 2022 business report and financial statement.</p> <p>4. Proposal of 2022 distribution of earnings.</p> <p>5. Proposal of surplus profit distributed in the form of new shares.</p> <p>6. Proposal of 2023 regular meeting of shareholders' date, time and venue and other matters.</p> <p>7. Proposal of releasing the prohibition on directors from participation in competitive business.</p> <p>8. Proposal of accepting the proposal from the shareholders holding one percent (1%).</p> <p>9. Amendment of "Regulation for Director's Election".</p> <p>10. Amendment of Rules of Procedure for Board of Directors Meetings.</p> <p>11. Proposal of 2022 performance evaluation result of the board of directors.</p> <p>12. Proposal of making of endorsements/guarantees for VietNam Pontex.</p> <p>13. Proposal of formulating the approval of general principles in non-assurance service policy in advance.</p> <p>14. Proposal of formulating the issue price of private placement of common stock.</p> | | |
| | | <p>Without objection or reservation.</p> | <p>In this case, 2 votes were against (CHEN, ZONG-YI, director of Bangtai Investment Co., Ltd., HSU, YIN-JU, director of Jiajie Heyi Co., Ltd.), the remaining 9 directors agreed, and the case was approved.</p> |

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| 23 March 2023 14 th Session, No. 5 | 1. Proposal of report on the payment status of the issuance of private placement common stock and adjustment of the number of subscribed shares. | | |
| 31 March 2023 14 th Session, No. 6 | 1. Proposal of the Company's director by-election. 2. Amendment of 2023 regular meeting of shareholders' date, time and venue and other matters. 3. Proposal of accepting the candidate nomination of directors from shareholders holding one percent (1%). | | |
| 27 April 2023 14 th Session, No. 7 | 1. Proposal of the Company's 2023 independent assessment of CPAs and the appointment remuneration for the certified accountants. 2. Discussion of resolution for director candidate list nominated in 2023 regular shareholders' meeting. 3. Proposal of the report on the handling of the private placement of common stock approved in the Company's 2022 regular shareholders' meeting. 4. Proposal of handling the private placement of common stock. 5. Amendment of the reason for 2023 regular shareholders' meeting. 6. Proposal of releasing the prohibition on directors from participation in competitive business. 7. Proposal of setting up a corporate governance supervisor of the Company. | | |

(2) In addition to the above matters, other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that requires a resolution by the board of directors: None

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: On 9 March 2023, the 14th session, No.4, Proposal 7: Proposal of releasing the prohibition on directors from participation in competitive business. The three directors involved in this proposal to resolve: CHEN, ZONG-YI, the representative of Bangtai Investment Co., Ltd., HSU, YIN-JU, the representative of Jiajie Heyi Co., Ltd., and LEE, WEN-PIN were interested parties and did not participate in the voting. After the chairman consulted with the rest of the present directors, they agreed to pass the proposal.

III. Board of Directors' Evaluation of Implementation

1. The information on the board of directors' self (or peer) evaluation cycle and period, the scope of evaluation, method and item:

| Evaluation cycle | Evaluation period | Scope of evaluation | Evaluation method | Evaluation items |
|--|------------------------------------|--|--|--|
| The performance evaluation of the internal board of directors shall be conducted at least once a year, and the evaluation executed by an | 1 January 2022 to 31 December 2022 | 1. Overall board of directors. 2. Each director 3. Functional Committee (remuneration committee and audit committee) | Internal self-assessment of the board of directors, self-assessment of directors, peer assessment, appointment | 1. Board of Directors (Functional Committee) Items of evaluation: A. The degree of participation in the company's operations B. Improving the quality of decision-making by the board of directors C. Composition and structure |

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| external professional independent institution, or a team of experts and scholars shall be conducted at least once every three years. | | | of external professional institutions, experts or other appropriate means. | <p>of the board of directors</p> <p>D. Selection and continuing advanced study of directors</p> <p>E. Internal control</p> <p>2. Director member (self or peers) evaluation items:</p> <p>A. Grasp the company's goals and tasks</p> <p>B. Recognition of directors' responsibilities</p> <p>C. The degree of participation in the company's operations</p> <p>D. Internal relationship management and communication</p> <p>E. Professional and continuing advanced study of directors</p> <p>F. Internal control</p> <p>3. Remuneration committee (self or peers) evaluation</p> |
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| | | | | | <p>items:</p> <p>A. Involvement in company operations.</p> <p>B. The responsibilities awareness of the functional committee.</p> <p>C. Improving the quality of decision-making by functional committees</p> <p>D. The composition and member appointment of the functional committee.</p> <p>4. Audit committee (self or peers) evaluation items:</p> <p>A. Involvement in company operations.</p> <p>B. The responsibilities awareness of the functional committee.</p> <p>C. Improving the quality of decision-making by functional committees</p> <p>D. The composition and member appointment of the functional committee.</p> |
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| | | | | E. Internal control. |
| <p>IV. Measures are taken to strengthen the functionality of the board of the current periods (such as setting up an audit committee to improve information transparency, etc.) and execution status assessment:</p> <ol style="list-style-type: none"> 1. The Company's Articles of Incorporation formulate regulations of the board of directors' duties and has followed the board of directors' procedures to formulate the board of directors' procedures, which was revised by the board of directors on 9 March 2023, strengthening the operation of the board of directors. 2. To strengthen corporate governance, the Company set up a remuneration committee on 23 November 2011 to formulate and regularly evaluate and review the remuneration of directors, supervisors, and managers. 3. After the re-election of the board of directors on 2 June 2022, the Company established an audit committee according to the law. 4. Evaluation of execution status: To improve the transparency of the company's information, after each meeting of the board of directors, the important resolutions are immediately announced on the Market Observation Post System to protect the rights of shareholders. | | | | |

4.2 The operation of the participation of the supervisor in the operation of the board of directors:

A total of 2 (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

1 January 2022 – 1 June 2022

| Title | Name | Attendance in Person (B) | By Proxy | Attendance rate (%) (B/A) |
|------------|-------------------------|-----------------------------|----------|---------------------------|
| Supervisor | JENG, RONG-JUH | 2 | 100.00% | (Resigned on 2 June 2022) |
| Supervisor | CHANG, MING- TUNG | 2 | 100.00% | (Resigned on 2 June 2022) |
| Supervisor | WEI, MEI- HUEI | 2 | 100.00% | (Resigned on 2 June 2022) |

Other mentionable items:

1. Composition and responsibilities of supervisors:

(1) Communications between supervisors and the Company's employees and shareholders:
Supervisors communicate with shareholders by attending shareholder meetings and the may directly communicate with the company's employees and shareholders when it's necessary.

(2) Communications between supervisors and the Company's chief internal auditor and CPA:

(1) In addition to regularly submitting the audit report to the supervisor for approval by the internal audit, the supervisor will communicate with the audit officer from time to time regarding the audit report and give suggestions and support.

(2) The audit officer attended the company's board of directors and made an audit business report, and the supervisor had no objection.

(3) The CPA conducts the audit of the financial statements or communicates with the supervisor on governance matters after the audit.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None

3. The directors were fully re-elected on 2 June 2022, and the audit committee was established to replace the supervisor.

4.3 The operation of the audit committee :

The term of 1st session of the Board of Director is from 2 June 2022 to 1 June 2025.

A total of 4 (A) (2 times in 2022) meetings of the audit committee were held in the previous period. The attendance of the independent director was as follows:

| Title | Name | Attendance | By | Attendance rate | Remarks |
|-------|------|------------|----|-----------------|---------|
|-------|------|------------|----|-----------------|---------|

| | | in Person (B) | Proxy | (%) (B/A) | |
|--|-------------------------------|--|-------|------------------------------------|---|
| Independent director | KUO, TIEN-TSAI | 4 | 0 | 100.00% | Convener |
| Independent director | SHEN, HSIU-HSIUNG | 4 | 0 | 100.00% | |
| Independent director | HSU, CHI-SHAN | 4 | 0 | 100.00% | |
| Independent director | LEE, WEN-PIN | 4 | 0 | 100.00% | |
| <p>Other mentionable items:</p> <p>1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, independent directors' objections, qualified opinion or contents of the major proposals, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:</p> <p>(1) Matters referred to Article 14-5 of the Securities and Exchange Act.</p> | | | | | |
| Dates of meetings | Sessions | Contents of motion | | Resolutions of the audit committee | The company's response to the audit committee's opinion |
| 4 August 2022 | 1 st session, No.1 | 1. Amendment of the Company's internal control system purchase and payment cycle - part of the provisions of the inspection. 2. Amendment of the Company's internal control | | Approved | None, Submit to the board of directors of the company for |

| | | | | | |
|-----------------|--------------------------------|--|--|-----------|--|
| | | <p>system sale and receipt cycle (compound) - part of the provisions of shipping.</p> <p>3. Proposal of formulating a specific improvement plan in the internal control system.</p> <p>4. Adjustment of CPAs.</p> | | approval. | |
| 3 November 2022 | 1 st session, No. 2 | 1. The Company's 2023 audit plan. | | | |
| 9 March 2023 | 1 st session, No.3 | <p>1. Proposal of 2021 Statement of Internal Control System.</p> <p>2. Proposal of 2022 business report and financial statement.</p> <p>3. Proposal of 2022 distribution of earnings.</p> <p>4. Proposal of surplus profit distributed in the form of new shares.</p> <p>5. Proposal of releasing the prohibition on directors from participation in competitive business</p> <p>6. Proposal of making of endorsements/guarantees for VietNam Pontex.</p> <p>7. Proposal of formulating the approval of general principles in non-assurance service policy in advance.</p> <p>8. Proposal of formulating the issue price of private placement of common stock.</p> | | | |
| 27 April 2023 | 1 st session, No. 4 | 1. Proposal of the Company's 2023 independent assessment of CPAs and the appointment remuneration for the certified accountants. | | | |

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| | | <p>2. Proposal of the report on the handling of the private placement of common stock approved in the Company's 2022 regular shareholders' meeting.</p> <p>3. Proposal of handling the private placement of common stock.</p> <p>4. Proposal of releasing the prohibition on directors from participation in the competitive business.</p> | | |
|--|--|--|--|--|

(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 directors' names, contents of motion, causes for avoidance and voting should be specified: On 9 March 2023, the 1st session, No.3, Proposal 5: Proposal of releasing the prohibition on directors from participation in competitive business. LEE, WEN-PIN, who resolve the proposal was independent director, was interested parties and did not participate in the voting. After the chairman consulted with the rest of the present directors, they agreed to pass the proposal.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g., the material items, methods, and results of audits of corporate finance or operations, etc.)

| Date | Method | Object | Communication items | Resolution |
|---------------|--------------------|--------|---|---|
| 10 March 2022 | Board of Directors | CPA | <p>Presentation in 2021 financial statement audit item communication.</p> <p>1. Communication with corporate governance units and management.</p> <p>2. Key audit points explanation this time.</p> <p>3. Update and share securities and exchange act.</p> | After communication, the directors and supervisors fully understood the direction and focus of the CPA's audit. |
| 4 August 2022 | Board of Directors | CPA | CPAs meet new directors and audit committee | None |

| | | | | |
|-----------------|--------------------|-----|--|---|
| 3 November 2022 | Board of Directors | CPA | <p>Presentation in 2022 Q3 financial statement audit item and 2022 audit planning</p> <ol style="list-style-type: none"> 1. Communication with corporate governance units and management. 2. Key audit points explanation this time. 3. Update and share securities and exchange act and tax act. | After communication, the audit committee fully understood the direction and focus of the CPA's audit. |
| 9 March 2023 | Board of Directors | CPA | <p>Presentation in 2022 financial statement audit item communication</p> <ol style="list-style-type: none"> 1. Communication with corporate governance units and management. 2. Key audit points explanation this time. 3. Update and share securities and exchange act. | After communication, the audit committee fully understood the direction and focus of the CPA's audit. |

Remarks: On 2 June 2022, the directors were fully re-elected, and an audit committee was established to replace the supervisor.

4.3 Corporate governance implementation status and deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|--------------------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”? | V | | To establish a sound corporate governance system, the company has established the "Corporate Governance Code" in 2014 by the "Corporate Governance Best Practice Principles for Listed Companies." and disclosed it on the company's website. | None |
| 2. Shareholding structure & shareholders’ rights | | | | None |
| (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? | V | | (1) To protect the interests of shareholders, the Company has established the "Corporate Governance Code" to follow. The company's website has set up a spokesperson and an investor relations contact person, which to handle shareholders' suggestions, doubts, or disputes. If there is a dispute, the company's legal counsel will be appointed to assist the lawyer. | |
| (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? | V | | (2) The Company holds the principal shareholders according to the shareholder list provided by the agent for stock affairs. (3) The Company has established the "Regulations of Supervising Subsidiaries" and "Regulations of Related Party Transactions Management", which are implemented by relevant laws and regulations based on the Fair Trade Act. | |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? | V | | (4) The Company has established the "Procedure of Tackling Internal Material Information and Avoiding Insider Trading Management" to follow to prevent the occurrence of insider trading. | |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|--------------------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| (4) Does the company establish internal rules against insiders trading with undisclosed information? | V | | | |
| 3. Composition and Responsibilities of the Board of directors | | | | None |
| (1) Does the Board develop and implement a diversified policy for the composition of its members? | V | | (1) The Company's board of directors is diverse, all of whom have practical experience in management, and the company has stated in the "Regulations of Electing Director and Supervisor" that all members of the board of directors have the professional knowledge, experience, skills and qualities to perform their duties, and actively supervise and manage the company's operations and important decisions. | |
| (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? | V | | (2) The Company has set up a remuneration committee and its organizational regulations and implementation by law, and the audit committee and its organizational regulations and implementation were established according to law on 2 June 2022. | |
| (3) Does the company establish a standard to measure the performance of the Board and | V | | (3) According to the performance evaluation method of the board of directors, the Company evaluates the board of | |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|--------------------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| <p>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 reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p> | V | | <p>directors and director members at the end of each year and reports to the board of directors in the first quarter of the following year by regulations. All evaluation results will be used as a reference for individual directors' remuneration and a nomination for re-election in the future.</p> <p>(4) The Company will simultaneously evaluate the independence of certified accountants when regularly replacing them.</p> | |
| <p>4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (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 meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?</p> | V | | <p>The Company's corporate governance-related affairs are currently handled by the staff of the general manager's office.</p> | None |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|--------------------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| 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? | V | | In addition to the spokesperson, deputy spokesperson and providing contact mail (ethics@pontex.com), the Company has also set up an area on the company website for stakeholders to properly respond to important corporate social responsibility issues that they are concerned about. The communication channel works smoothly. The Company has internal communication channels and suggestion boxes for employees, and employees could express their opinions by post and telecommunications or in writing. | None |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | V | | The Company's stock affairs have appointed a professional agency to deal with the affairs of the shareholders' meeting. | None |
| 7. Information Disclosure | | | | |
| (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? | V | | (1) In addition to inputting the relevant financial and business information into the designated website under the regulations, the company profile, financial business information, product introduction, corporate governance, and other related information are also disclosed on the company's website. Furthermore, there is a contact person responsible for maintaining and updating the information, and at the same time, relevant information could be queried through the Market Observation Post System. | None |
| (2) Does the company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and | V | | | |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|--------------------------------|----|---|--|
| | Yes | No | Abstract Explanation | |
| disclosure, creating a spokesman system, webcasting investor conferences)? (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? | V | | (2) The Company has assigned a contact person to be responsible for the collection of company information and the disclosure of important events, and the spokesperson will coordinate external speeches. (3) The Company announced the 2022 annual financial report on 16 March 2023, 16 days earlier than the time regulated by the law, and announced the completion of the Q1, Q2, and Q3 financial reports and the operating conditions of each month before the prescribed deadline. | |
| 8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., 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)? | V | | 1. Employees' rights and interests: The Company has always treated employees with integrity and protected their legitimate rights and interests following the Labor Standards Act. 2. Employee care: Establish a good relationship with employees through various welfare and education training. 3. Investor relations: Handle shareholders' suggestions and inquiries through a spokesperson. 4. Supplier relationship: The Company and suppliers have always maintained a good relationship of mutual assistance and benefit. 5. Rights of stakeholders: The stakeholders could communicate with the Company and make suggestions to maintain their legitimate rights and interests. | None |

| Evaluation Item | Implementation Status (Note 1) | | | Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|--------------------------------|----|--|--|
| | Yes | No | Abstract Explanation | |
| | | | <p>6. Condition of directors' and supervisors' additional study: The Company's directors all have an industrial professional background and practical experience in management, and directors and supervisors are encouraged to have advanced study.</p> <p>7. Implementation of risk management policies and risk measurement standards: Setting various internal management regulations according to the law and conducting various risk management and assessments.</p> <p>8. Implementation of customer policy: The Company maintains a stable and good relationship with customers to create profits.</p> <p>9. Condition of purchasing liability insurance for directors and supervisors: The Company has purchased liability insurance for directors and supervisors.</p> | |
| <p>9. Please explain the improvements which have been made in accordance with the results of Corporate Governance Evaluation released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(1) Improvement: The company has formulated a policy to properly reflect its business performance or results in employee salary and disclose it in the annual report or on the company website.</p> <p>(2) Strengthen improvement items priority: Strengthen the disclosure of information related to corporate governance and establish a policy of diversification of board of directors members.</p> | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

4.4 The condition of the company's managers' advanced study in corporate governance:

| Title | Name | Study period | Sponsoring | Course | Study hours |
|---------------------------|-----------------|-------------------------------------|---|--|-------------|
| Accounting Officer | CHUNG, HSIU-CHU | 26 September 2022~27 September 2022 | Accounting Research and Development Foundation | Continuous development of principal accounting officers of issuers, securities firms, and securities exchanges | 12 |
| Internal auditing officer | WANG, LI-HSUAN | 29 March 2022 | The Institute of Internal Auditors-Chinese Taiwan | Production cycle practices and audit focus | 6 |
| | | 14 September 2022 | The Institute of Internal Auditors-Chinese Taiwan | Practical exercises in internal auditing, internal controls, and personal data protection act. | 6 |

4.5 Composition, responsibilities and operations of the remuneration committee

4.5.1 Remuneration committee members

1 January 2022~3 May 2023

| Title (Note 1) Name | Criteria | Professional qualification & work experience (Note 2) | Independence criteria (Note 3) | Number of other public companies in which the individual is concurrently serving as a remuneration committee member |
|------------------------------------|-------------------|--|--|---|
| Independent Director (Convener) | KUO, TIEN-TSAI | Possess the work experience required by the company. Not being a person specified in any subparagraph of Article 30 of the Company Act. | Being an independent director, and comply with independence, including but not limited to the person, spouse, relatives within the second degree who do not serve as directors, supervisors, employed or its affiliated companies. Not holding the number of shares of the company. Not serving as director, supervisor or employee of a company that has a specific relationship with the company. Not providing business, legal, financial, accounting for the company or related companies in the last two years for the received amount of remuneration. | None |
| Independent Director | SHEN, HSIU-HSIUNG | Possess the work experience required by the company. Not being a person specified in any subparagraph of Article 30 of the Company Act. | Being an independent director, and comply with independence, including but not limited to the person, spouse, and relatives within the second degree who do not serve as directors, supervisors, employed or its affiliated companies. Not holding the number of shares of the company. Not serving as director, supervisor or employee of a company that has a specific relationship with the company. Not providing business, legal, financial, accounting for the company or related companies in the last two years for the received amount of remuneration. | None |

| | | | | |
|-------|----------------------|--|--|--|
| Other | WU, SHENG- MIN | Possess the work experience required by the company. Not being a person specified in any subparagraph of Article 30 of the Company Act. | Not Being an independent director, and comply with independence, including but not limited to the person, spouse, relatives within the second degree who do not serve as directors, supervisors, employed or its affiliated companies. Not holding the number of shares of the company. Not serving as director, supervisor or employee of a company that has a specific relationship with the company. Not providing business, legal, financial, accounting for the company or related companies in the last two years for the received amount of remuneration. | |
|-------|----------------------|--|--|--|

Note 1: Specify the years of seniority of related work, professional designation and experience, and the status of independence of the members of the remuneration committee. For independent directors, refer to P.23, Appendix I, profiles of directors and supervisors (I) content as stated in the remark column. Put down the director, independent director, or others for identity (specify if the person is the convener).

Note 2: Professional designation and experience: specify the professional designation and experience of individual members of the remuneration committee.

Note 3: Status of independence: specify the status of independence of the members of the remuneration committee, including but not limited to holding a position as director, supervisor or employee of the Company and its affiliates by the person, spouse, kindred within the 2nd tier. Quantity and proportion of Company shares held by the person, spouse, and kindred within the 2nd tier (or in the name of a third party), holding a position as Director, Supervisor or employee of companies in a special relationship with the Company (refer to Subparagraphs 5~8 of Paragraph 1 under Article 6 of the Regulations Governing the Appointment and Exercise of Powers by The Remuneration Committee of a Company Whose Stock is Listed on Taiwan Stock Exchange or Taipei Exchange), the amount of remuneration for rendering services in commerce, legal affairs, finance, and accounting to the Company or its affiliates in the last 2 years

Note 4: For information on the means of disclosure, refer to the sample version of the best practice principles posted on the website of the Corporate Governance Center of Taiwan Stock Exchange.

4.5.2 Operations of the remuneration committee

- (1) There are 3 members of the remuneration committee.
- (2) The term of office for current members runs from 2 June 2022 through 1 June 2025. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The qualification and attendance record of the Remuneration Committee members was as follows:

1 January 2022~3 May 2023

| Title | Name | Attendance in person (B) | By Proxy | Attendance rate (%) (B/A) (Note) | Remarks |
|------------------|-------------------|--------------------------|----------|----------------------------------|---|
| Convener | KUO, TIEN-TSAI | 3 | 0 | 100% | Re-election (2 June 2022 reelection) |
| Committee Member | SHEN, HSIU-HSIUNG | 3 | 0 | 100% | Re-election (2 June 2022 reelection) |
| Committee Member | WU, SHENG-MIN | 3 | 0 | 100% | Re-election (2 June 2022 reelection) |

Responsibilities of the remuneration committee:

(1) Set up and regularly review the company's directors, supervisors, and managers' annual and long-term performance goals and salary policies, systems, standards, and structures.

(2) Regularly evaluate the achievement of the performance goals of the company's directors, supervisors, and managers, and determine the content and amount of their salaries.

When performing the responsibilities in the preceding paragraph, the committee shall follow the following principles:

(1) Ensure the Company's salary arrangements comply with relevant laws and are sufficient to attract outstanding talents.

(2) The performance evaluation and remuneration of directors, supervisors, and managers should refer to the normal level of payment in the industry, and consider the time dedicated by the individual, the responsibilities are undertaken, the achievement of personal goals, the performance of other positions, and the remuneration company paid for same position recent years. Additionally, via the achievement of the company's short-term and long-term business goals, the company's financial status, etc., to evaluate the reasonable relevance between individual performance and the company's operating performance and future risks.

(3) Directors and managers should not be guided to engage in behaviors that exceed the company's risk appetite in pursuit of salary.

(4) The proportion of distributing dividends for the short-term performance of directors and senior managers and the partial variable remuneration should be determined by considering the characteristics of the industry and the nature of the company's business.

(5) Members of the committee are not allowed to participate in discussions and vote on their salary decisions.

The proposals and results of the meeting and the company's handling of members' opinions

| Date and Term | Proposal details and follow-ups | Resolution | The Company's Handling of Members' Opinions |
|---------------|---------------------------------|------------|---|
| | | | |

| | | | |
|---|---|--|------|
| 10 March 2022 4 th session, No. 7 | 1. Discussion of 2021 year-end bonuses of managers and directors and supervisors. 2. Discussion of 2021 distribution of director and supervisor's remuneration and employee's salary. 3. Discussion of amending the Company's "Regulations of Director Remuneration Management" 4. Discussion of amending the Company's "Regulations of Employee Salary Management". | The proposal has been approved as there were no objections from the remuneration committee members after consulted by the chairperson. | None |
| 4 November 2022 5 th session, No. 1 | 1. Discussion of 2022 year-end bonuses of managers and directors and supervisors. | | |
| 9 March 2023 5 th session, No. 2 | 1. Discussion of 2022 distribution of employee's salary and director and supervisor's remuneration. | | |

Other disclosures:

1. If the board of directors does not adopt or amend the suggestions of the remuneration committee, it shall state the date, term, proposal content, resolution results of the board of directors and the Company's response to the remuneration committee (such as the remuneration approved by the Board of Directors is better than the suggestions of the remuneration committee, should explain the discrepancy and its reasons): None.

2. Should a committee member oppose or retain their opinion regarding any decision made by the remuneration committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded: None.

Note:

(1) If a specific member is elected to resign within the fiscal year, put down the date of relief from office in the remark column. The actual attendance (as observer) rate (%) will be calculated on the basis of the actual frequency of attendance (as observer) to the session of the remuneration committee and the frequency of the convention of the remuneration committee while the director is still in office.

(2) If an election of directors has been held to fill the vacancy before the end of the fiscal year, put down the names of the newly elected members and the members of the previous term, and noted as new to the office or reelected to office and the date of the election. The actual attendance (as observer) rate (%) will be calculated basis of the actual frequency of attendance (as observer) to the session of the remuneration committee and the frequency of the convention of the remuneration committee while the member is still in office.

6. Fulfillment of sustainable development and deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|---|--------------------------------|--------|---|--|
| | Y es | N o | Abstract explanation | |
| 1. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? | | V | <p>1. The general manager office of the Company supervises relevant departments to deal with the Company's sustainable development issues under the company's existing organization structure and has not set up a full-time unit.</p> <p>2. The Company has been continuously promoting sustainable development and operation for a long time and held online monthly company meetings, including the Taiwan headquarter, the Qingyuan factory in Qingyuan City, Guangdong Province, and the Vietnam factory in Binh Duong Province, Vietnam. Through the meeting identify the sustainable issues which are related to the corporate's operation and concerned the stakeholders to plan and execute the annual plan and simultaneously track the implementation results to ensure the sustainable development strategy is fully implemented in the company's daily operations.</p> <p>3. In each board of directors meeting, the top business supervisor reports the current company's business condition and promotes sustainable development and business strategy methods. The board of directors and</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|---|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | supervisors will give instructions and directions for investigation and execution. | |
| 2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2) | V | | <p>Although the Company has not set up a risk management policy, the company puts lots of effort into reducing and preventing environmental protection and occupational safety activities that have adverse impacts on environmental protection and occupational safety and health. To corporate with the world's environmental protection and occupational safety and health trends, the company has established an ISO14001 management system. The company has also set up a "Procedure of Tackling Internal Material Information and Avoiding Insider Trading Management", "Procedure and Approach of Internal Control Self-check", etc., through the continuous operation of various management systems and procedures, the company can immediately grasp and respond to the risks related to the operating environment, employee safety, customers, suppliers, and stakeholders. The company holds meetings from time to time according to actual needs. The supervisors conduct risk assessments and identify possible risk factors and conduct necessary internal and external communications to respond to and reduce risks.</p> <p>1. Environment: 1.1 According to ISO14001, the "Procedure of Environmental Evaluation" is required to be set up to annually conduct risk identification and propose measures in response to ensure the effective</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|-----------------|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>operation of the environmental safety and health system. 1.2 Formulate various management measures for waste reduction, emission reduction, pollution prevention, etc. to implement and control, and actively avoid the risk of environmental pollution. 1.3 Implement garbage classification, minimize waste, and consider the minimum waste and recyclable rate when researching and developing products.</p> <p>2. Social: 2.1 Regularly conduct information security training for all employees every year to enhance employees' awareness of information security and avoid the risk of company and customer data leakage. 2.2 Important internal websites and application systems are isolated from the external internet by firewalls to elevate network security and avoid the risk of external malicious intrusions and attacks and conduct regular information system disaster prevention drills. 2.3 Hold employee welfare committee meetings quarterly, labor-management meetings, and occupational safety committee meetings to communicate with employees, and provide timely advocacy of laws and regulations to avoid labor disputes. Employees can make suggestions through meetings or suggestion boxes, and the company and employees work together to create a harmonious and good labor-management relationship. 2.4 Reduce the company's risk of infection following IS14001 standards.</p> | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|-----------------|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>3. Governance: 3.1 Set up various management measures. The occupational safety personnel inspect the safety and health situation of each unit at any time and propose improvements timely to achieve a safe and healthy working environment. Regularly hold fire drills and occupational safety education training to cultivate employees' response to emergencies and self-management capabilities. 3.2 Take the following measures in response to the COVID-19 pandemic: a. Follow the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)", " Guidelines for Employers Hiring Migrant Workers in Response to COVID-19: Precautions for Managing Migrant Workers' Work, Living, and Going Out ", " Preventive Measures for Managing Migrant Workers during the COVID-19 Pandemic " and other external guidelines as internal countermeasures, pay attention to the timely release of pandemic prevention information by CDC, and dynamically adjust the company's pandemic prevention intensity. b. Encourage employees to get vaccinated, reduce the company's supervisors and directors from attending corporate governance-related courses outside, but take virtual courses to improve corporate governance-related knowledge. c. Temporarily suspend company trips and gathering activities. 3.3 Internal control self-assessment is regularly conducted by each department every year to review the implementation of</p> | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | internal control and compliance with laws in the previous year. 3.4 Take various measures in response to industrial (commercial) changes, including technological changes, insufficient innovation, and changes in business models: a. Regularly hold internal market information exchange and discussion meetings. b. Regularly make product development progress reports. c. New product kick-off format, costs, markets, etc. must be set up and reported. 3.5 According to the IATF16949 strategy and risk management method, implement relevant company operations to ensure the effective operation of the system. | |
| <p>3. Environmental Issues</p> <p>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> | V | | All factories of the company follow ISO14001 to establish an environmental management system and continue to pass third-party verification. TUV SUD verified the factory in 2021 years and issued an ISO 14001 quality certificate. The validity period is from 21 February 2021 to 20 February 2024. The Company implements wastewater treatment, noise prevention, waste recycling, and toxic substance treatment following the environmental safety management system and environmental protection laws and regulations, uploads data to the "Environmental Protection Administration Industrial Waste Report and Management System" and "Toxic and Concerned Chemical Substances Registration and Declaration System" monthly to declare relevant report data. | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? | V | | The Company continues to strive for elevating the utilization efficiency of various resources. For instance, instead of providing paper cups, employees need to prepare drinking cups by themselves, and employees are asked to bring their tableware. Copy paper, envelopes, and paper bags are reused as official document delivery bags. Waste bags used in on-site operations are also recycled into garbage bags. The raw materials used by the company comply with the RoHS and REACH regulations of the European Union. The production unit actively handles the recycling of materials and reduces the pollution during the manufacturing process to decrease the impact on the environment. | None |
| (3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? | V | | Because the Company is engaged in plastic products and compound materials, it places great importance on issues related to climate change. It requires employees to start from daily life. For example, document printing should take duplex printing, recycle and reuse. A recycling box is set up next to the photocopier for recycling paper. The Company uses electronic invoices and encourages employees to transmit official documents or letters electronically. It also reduces printed faxes and directly transmits as files, which greatly reduces paper consumption. In addition, the temperature of the air-conditioner in the office is set at 28 degrees in summer, and energy-saving LED T5 lamps are used for lighting. Employees respond to the company's policy to form a | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>good habit of turning off lights and saving energy, in order to slow down global warming.</p> <p>Current related measures are as follows:</p> <p>(1) The water tank has been established to reuse the water from the chiller, and there is no deviation.</p> <p>(2) The wastewater used in factory production has been installed with treatment equipment and is repeatedly used in production-related operations, and there is no deviation.</p> <p>(3) The manufacturing process switches to more water-saving and power-saving equipment, and there is no deviation.</p> | |
| (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management? | V | | <p>The waste in the company's factory is only general industrial waste, and no toxic waste is produced. All waste is sorted at the source for waste reduction.</p> <p>Resources are sorted and recycled before being placed in garbage trucks. The waste is also processed by the contents approved in the industrial waste cleanup plan and is transported to qualified incinerators for incineration according to law.</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>The Company's manufacturing process is extrusion shaping. The air pollutants produced are mostly particulate matter pollution and volatile organic compound material. Therefore, the Company has installed 3 sets of air pollution prevention equipment and 2 sets of washing tower equipment in the factory, so that the waste gas and volatile organic compound material emission from the factory could be effectively treated to ensure compliance with regulatory requirements.</p> <p>The Company's wastewater during the manufacturing process is recycled and reused. There is wastewater treatment equipment in the factory, which can recycle and reuse the manufacturing process wastewater to reduce water consumption and achieve energy-saving effects.</p> | |
| <p>4. Social Issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> | V | | <p>The Company recognizes and voluntarily abides by internationally recognized human rights standards such as the "Universal Declaration of Human Rights", "The United Nations Global Compact", "United Nations Guiding Principles on Business and Human Rights",</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | "International Labour Organization", and respects the protection regulated in Bill of Human Rights. Following relevant labor laws, Bill of Human Rights, and Occupational Safety and Health Act, the Company has established "Regulations of Appointment Management", "Work Regulation", "Regulations of Sexual Harassment Complaint and Tackling", "Regulations of Employee Complaint Management", and "Regulations of Workplace Violence Behavior Complaint and Tackling", etc., and announced and posted on the company's website to protect the rights and interests of employees and to protect the health and safety of employees. | |
| (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? | V | | The Company's employee welfare and compensation policies are executed following the company's "Regulations of Salary Management", "Regulations of Welfare Management", "Regulations of Rewards and Punishment Management", "Regulations of Year-end Bonuses Management", and "Incentive Measures on Technology Research and Development". Additionally, according to the Company's "Regulations of Employee Salary Management", the Company's income from continuing operations before income tax before deducting employee compensation and directors' | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|-----------------|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>remuneration, shall allocate no less than 1% as employee compensation. The payment objects may include the employees of the subordinate company that meet the conditions set by the board of directors.</p> <p>Employee's welfare: the Company has set up an employee welfare committee. The source of welfare funds: the Company allocates 0.05% of the income to plan and provide high-quality welfare for colleagues every month, such as providing uniforms, travel subsidies for employees, scholarships for employees or their children, bonuses for birthdays, weddings and birth, funeral grants, hospitalization grants, festival celebrations, etc. The company provides welfare such as group insurance, free health checks, and meal subsidies. As for the holidays, the company provides two days off per week, and paid leaves following the Labor Standards Act. Colleagues could also apply for unpaid leave when they need a longer vacation in case of childcare, serious injuries, major accidents, etc., to balance personal and family care needs. The workplace diversifies and the company accomplishes that both men and women have the same compensation with equal pay and equal promotion opportunities, maintaining more than 30% of female officer positions to promote economic growth. In 2022, the average proportion of female employees was</p> | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | 34%, and the average proportion of female officers was 32%. The Company emphasizes the rights and welfare of employees. As for the hardware facilities, the company provides free parking lots, books, newspapers and magazines reading, staff restaurants, coffee bars, staff dormitories, etc., to provide convenient daily needs for the employees. In the aspect of caring for the physical and mental health of the employees, the company arranged annual health checks. The doctors and nurses come to the factory to provide employees with stress relief and health care. In addition, an exercise space is set up, with fitness equipment and table tennis tables. Therefore, the employees could do exercise to relieve stress and achieve sports effects after work. | |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | V | | Employees are the most important assets of a company. Providing a comfortable and safe working environment is the company's commitment and the basic guarantee for employees. Therefore, establishing a good working environment to ensure the workplace safety of employees is the primary responsibility of every company. The Company emphasizes the safety and health of employees, from the physical examination of new employees, regular health checks of employees, maintenance of mechanical equipment, safety signs of mechanical equipment (Chinese and Vietnamese versions), use of personal protective equipment, training | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|-----------------|--------------------------------|--------|---|--|
| | Y es | N o | Abstract explanation | |
| | | | and on-the-job training of on-site employees, etc. which are well regulated and implemented. Emergency response training for various disasters will be held once a half a year to avoid accidents. The company's environmental safety personnel will go to the workplace of each factory to conduct inspections from time to time, inspect the work environment and the use of mechanical equipment on site, in order to improve the environment of the workplace, strengthen the safety protection of equipment, and reduce the occurrence of disasters. As for the dangerous mechanical equipment used in the workplace, the company also assigned personnel to receive training from training institutions and obtain qualification certificates or licenses before they could operate and use the mechanical equipment. The company will also regularly monitor the operating environment every six months and announce the relevant monitoring results to ensure a safe and healthy working environment for employees. The management of health checks that prevent occupational disease, particularly for those who have abnormal value in special harmful working experience will also be tracked and given individual health consultation, care, and guidance as necessary. Since 2022, on-site medical care has been implemented, and professional healthcare personnel comes to the company every month. The professional doctor is arranged to provide on-site services at least | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|---|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | <p>once a year so that colleagues can grasp their health conditions.</p> <p>The total number of occupational accidents in 2022 was 1, which was an injury caused by an employee accidentally placing finger into the car wrapping machine. Given the occurrence of accidents, in addition to understanding the cause of the accident and proposing prevention policies, the on-site supervisor will also use the morning meeting to publicize the safety of the operation and correct the unsafe operation and behavior of the employees.</p> <p>The certificates currently obtained by the company include ISO9001, ISO14001, IATF16949, Global Recycled Standard (GRS), Post-Consumer Recycled resin (PCR), etc.</p> | |
| (4) Does the company provide its employees with career development and training sessions? | V | | <p>The Company has formulated the "Regulations of Education and Training Management" to plan integrated competency training for officers and colleagues at all levels, including orientation, professional training, officer training, etc., to help colleagues continue to learn and grow through diverse learning methods. According to the training plan or demand requested by officers, the company arranged for related personnel to participate in external professional training courses to cultivate the key professional capacities of colleagues. A total of 107</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|--|--|
| | Y es | N o | Abstract explanation | |
| | | | people participated in the training in 2022, and the subsidiary in China has a total of 116 personnel. During the regular performance interview every year, the officer discusses with the employees and sets up an annual personal capacity development plan. Through regular inspection and feedback, the company assists the employees with building the best career capacity development plan. | |
| (5)Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented? | V | | The company has set up a business email for clients and an extension of business department service. The service includes customer complaints, dispute resolution, and the post-service mechanism. Customer data is managed as confidential files by Personal Data Protection Act. Non-related personnel is not allowed to view it. The company's products must comply with relevant regulations such as FDA/ISO/RoHS/REACH/IATF16949/ISO14001, etc. In addition to setting up "Regulations of Marketing Management" to protect consumers' rights and meet consumers' requirements for product services. | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies" and Reasons |
|--|--------------------------------|--------|---|--|
| | Y es | N o | Abstract explanation | |
| (6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results. | V | | The Company follows IATF16949/ ISO14001 /PCR certification processes and formulates the company's "Regulations of Procurement Management" and "Management Procedure of Supplier Evaluation" to manage suppliers. In addition to the strict demand for quality management of the suppliers, safety and health regulations and labor-related regulations should also be followed, and if found to violate the facts, the Company will propose a deadline for improvement. | None |
| 5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit? | | V | The Company has not yet compiled a ESG report but will concern about it at any time. In the future, the company will compile the report depending on the operating conditions. The company implements corporate governance, develops a sustainable environment, and maintains social welfare by following the spirit and regulation of "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". | None |
| 6. If the company has established its sustainable development best practice principles according to “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe the operational status and variation. | | | | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies” and Reasons |
|---|--------------------------------|--------|----------------------|--|
| | Y es | N o | Abstract explanation | |
| <p>The Company has formulated the company's "Sustainable Development Best Practice Principles " based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", and it was approved by the board of directors on 10 March 2022.</p> <p>At present, it is still handled by the above-mentioned rules and the relevant regulations of the Taipei Exchange, and there is not much difference in the current operation.</p> | | | | |
| <p>7. Other important information to facilitate a better understanding of the company’s implementation of sustainable development:</p> <p>(a) Human Rights: The company has always paid attention to human rights and cared for the disadvantaged in society. Since 1994, the company has continuously hired physically challenged indigenous peoples. Currently, the company employs 1 physically challenged and 2 indigenous people, all of which are higher than government regulations. Additionally, a more appropriate job is arranged for the person to meet his physical conditions.</p> <p>(b) Energy conservation: The company cooperates with laws and government energy conservation and carbon emission reduction policies. In addition to strengthening the promotion of energy conservation, the company also installs energy-saving and water-saving tools to improve the company's internal electricity and water equipment, such as adopting energy-saving lamps and automatic water-saving valves, etc., and designating a specific person to be responsible for water and electricity switches and control.</p> <p>(c)Environmental Protection: The company actively invests in the development and production of eco-friendly products, such as eco-friendly biodegradable plastics, non-halogen flame retardant plastic materials, and eco-friendly recycled compound materials that meet US regulations. Additionally, the company</p> | | | | |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Sustainable Development Best Practice Principles of TWSE/TPEX listed Companies” and Reasons |
|---|--------------------------------|--------|----------------------|--|
| | Y es | N o | Abstract explanation | |
| <p>implements environmental protection measures such as resource classification and recycling throughout the company. The current implementation has good effects.</p> <p>(d) Community Participation: The company is enthusiastically involved in the improvement of the community, such as assisting in the completion of the widening project of the external roads of Longxing Lane where the community is located, which has achieved good results in facilitating the entry and exit of vehicles and people in the community. Furthermore, donate funds and sponsor gifts to the Community Development Association to promote rural regeneration activities, and assist in the promotion of the Civil Defense of the Neighborhood Watches to ensure a safer and more comfortable living environment in the community. Additionally, the company holds community environment cleanup and hiking and mountain cleanup activities from time to time to maintain a clean and tidy community environment.</p> <p>(e) Social Welfare: Actively participate in the activities of public interest groups that care for the physically and mentally challenged, and recruit volunteers to actively engage in charity activities.</p> <p>(f) Safety and Health: The company pays attention to the safety and health of the factory, including setting up management personnel for labor safety and fire, and regularly promoting and organizing fire prevention and disaster prevention drills. Additionally, the company strives to improve factory safety protection measures and pollution prevention to prevent labor and factory safety incidents.</p> | | | | |

Note 1: If "Yes" is checked under implementation, please describe the key policies, strategies, measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future.

Note 2: The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

Note 3: For information on the means of disclosure, refer to the sample version of the best practice principles posted on the website of the Corporate Governance Center of Taiwan Stock Exchange.

4.7 Fulfillment of ethical corporate management and deviations and reasons from the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies "

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies" and Reasons |
|--|--------------------------------|----|---|---|
| | Yes | No | Abstract explanation | |
| 1. Establishment of ethical corporate management policies and programs | | | | |
| (1) Does the company have a Board-approved ethical corporate management policy and state in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of directors and management towards enforcement of such policy? | V | | 1. The Company formulated the "Ethical Corporate Management Best Practice Principles" which is established in chapter 45 of the Company's administrative regulations after approved by the board of directors which serves as the policy basis for the board of directors and management to actively implement their commitment to ethical business operations. The regulation specifies that directors, supervisors, managers, employees, appointees, or those with substantial control ability are prohibited from engaging in any dishonest behavior. The content of the administrative regulations and annual implementation are provided in the section of investment relations-corporate governance on the Company website and disclosed in the annual report by regulations. | None |
| (2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct | V | | 2. In response to Article 7, paragraph 2 [Illegal Political Donations] in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", the Company formulates in Article 11 in the administrative regulations that the company and its directors, supervisors, | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies” and Reasons |
|---|--------------------------------|----|--|---|
| | Yes | No | Abstract explanation | |
| <p>based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p> | V | | <p>managers, employees, assignees and those with substantial control capabilities directly or indirectly provide donations to political parties or organizations or individuals participating in political activities shall comply with the Political Donations Act and relevant internal procedures of the company, and shall not seek commercial interests or transaction advantages. Furthermore, engaging in other business activities with risks of dishonesty in the scope of business is prohibited under each sub-item, which is based on the relevant regulations to prevent mistakes. To cooperate with the annual internal control audit conducted by the CPAs, the company regularly assesses whether there are any activities within its scope of business that may pose a risk of dishonest behavior.</p> <p>3. In the "Ethical Corporate Management Best Practice Principles", the Company regulates the handling procedures of various violations of integrity, such as prevention of dishonest behaviors, violations of the handling procedures, rewards and punishments, complaint systems and disciplinary actions, etc., and implement them in conjunction with related internal operating methods. " Regulations Governing Procedure for Board of Directors Meetings" is included, which regulates that directors, supervisors, and manager are not allowed to participate in decision-making or voting if there is a conflict of interest in any decision-making or transaction. People who violate the regulations will be punished with warnings, demerits, deducting year-end bonuses, demotion, dismissal and taking legal actions and other punishments. The Company has formulated the</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies” and Reasons |
|---|--------------------------------|----|--|---|
| | Yes | No | Abstract explanation | |
| | | | “Regulations of Employee Complaint Management”, which has been implemented for many years and provide a reasonable channel for the explanation. | |
| 2. Fulfill operations integrity policy | | | | |
| (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts? | V | | (1) For companies and customers, the Company will check the current business condition through the government website and ask for related information for credit rating and filing. Both companies and customers need to sign the "Integrity Commitment" to ensure honest communications. In the contract, it stipulates the penalty rules for violating integrity transactions. | None |
| (2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of directors while overseeing such operations? | V | | (2) In order to promote the setting of a dedicated unit for corporate integrity management, the General Manager's Office regularly reports the current year's implementation to the Board of Directors at the end of each year. | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies" and Reasons |
|--|--------------------------------|----|---|---|
| | Yes | No | Abstract explanation | |
| (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement them? | V | | <p>(3) The company formulates the policy of preventing conflicts of interest in the regulations, such as "Regulations Governing Procedure for Board of Directors Meetings", "Rules Governing the Scope of Powers of Supervisors", and "Ethical Corporate Management Best Practice Principles" as compliance guidelines. There are separate provisions for avoiding the interests of directors and supervisors in the "Regulations Governing Procedure for Board of Directors Meetings" and "Rules Governing the Scope of Powers of Supervisors".</p> <p>All employees of the company are regulated under the " Integrity Commitment " and "Code of Conduct". The Company has set up the general manager suggestion box and whistleblower mailbox, which can be used for statement channels.</p> | None |
| (4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? | V | | <p>(4) The Company's existing integrated accounting system and internal control system, which are reviewed and revised at any time to ensure that the design and implementation of the system are continuously effective, have been able to implement the management of integrity operations. The Company's internal auditors audit every year according to the audit plan, and the audit reports are regularly submitted to the board of directors. Ernst & Young is appointed to conduct an audit of the internal control system in the middle of each year.</p> | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies" and Reasons |
|---|--------------------------------|----|--|---|
| | Yes | No | Abstract explanation | |
| (5) Does the company regularly hold internal and external educational trainings on operational integrity? | V | | (5) All employees of the company are required to re-sign the " Integrity Commitment " at the beginning of each year to promote the concepts of integrity and honesty. The company has also clearly stated the requirement to adhere to the "Commitment to Integrity" as the first item in the "Eight Work Standards" for Pontex' employees, and has posted large posters to emphasize the importance of ethical business operations in various domestic and overseas factories. Additionally, the company periodically collaborates with related units under the Ministry of Justice to conduct external educational and training programs to promote the importance of integrity. | None |
| 3. Operation of the integrity channel | | | | |
| (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? | V | | (1) The Company provides ethics@pontex.com as the whistle-blowing mail and assigns dedicated personnel to accept the identity of the whistleblower and the content of the report and keep it confidential. For cases of reporting violations or damage to the interests of the company, rewards will be handled following the "Regulations of Rewards and Punishment Management". | None |
| (2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? | V | | (2) The Company's investigation procedures and related confidentiality mechanisms for accepting reports are formulated in the "Ethical Corporate Management Best Practice Principles" and the "Regulations of Employee Complaint Management". | None |

| Evaluation item | Implementation status (Note 1) | | | Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies" and Reasons |
|---|--------------------------------|----|--|---|
| | Yes | No | Abstract explanation | |
| (3) Does the company provide proper whistleblower protection? | V | | (3) The Company's reported incidents were handled by dedicated email address and personnel to protect whistleblowers from improper treatment due to leaks of information. | None |
| 4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | V | | The company discloses the Ethical Corporate Management Best Practice Principles and implementation on the Company website, annual report, and MOPS, updates the content of the implementation report and submitted to the board of directors every year. | None |
| 5. If the company has established ethical corporate management policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation. The Company formulated the "Ethical Corporate Management Best Practice Principles" based on the content announced by the authority, incorporated it into the company's management regulations, and disclosed it on the company's website. There is no difference in operation. | | | | |
| 6. Other important information to facilitate a better understanding of the company's ethical corporate management policies: According to the various regulations of public companies, the Company has formulated operation regulations, except for the above mentioned "Regulations Governing Procedure for Board of Directors Meetings" to avoid the interests of directors. The Company has also formulated "Management of Avoiding Insider Trading", " Procedure of Tackling Internal Material Information" and other measures which are helpful for ethical corporate management, and the latest regulations of the competent authority are considered to make amendments to the provisions. | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

4.8 If the company has formulated the Corporate Governance Best Practice Principles and related rules and regulations, the way of searching should be disclosed: For the company's "Corporate Governance Best Practice Principles", please visit the company's official website link (<http://www.pontex.com>) or check the corporate governance page on the Market Observation Post System.

4.9 Other important information regarding corporate governance:

For the Company's "Corporate Social Responsibility Best Practice Principles", please visit the Company's official website link (<http://www.pontex.com>) or check the corporate governance page on the Market Observation Post System.

4.10 Implementation of internal control for disclosure:

1. Declaration of internal control: Please refer to p.128.
2. If a CPA is appointed to conduct a special audit on the internal control system, disclose the auditor's report: None.

4.11 The Company and insiders were punished under the law or the violation of the internal control system up to the date this report was printed. If the punishment result may have a significant impact on shareholders' rights or securities prices, the content, the major defect, and the status of rectification shall be specified: None.

4.12. Major Resolutions of Shareholders' Meetings and Board Meetings in the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report:

| Date | Resolution | Implementation |
|-------------|---|---|
| 2 June 2022 | 1. Adoption of the 2021 Business Report and Financial Statements | Approved. |
| | 2. Adoption of 2021 surplus earning or loss off-setting. | Approved, and , the implementation has been completed in accordance with the resolution of the shareholders' meeting. |
| | 1. Discussion of amending "Articles of Incorporation". | Approved. |
| | 2. Discussion of amending "Regulations of Electing Director and Supervisor". | Approved. |
| | 3. Discussion of amending "Procedures Governing the Acquisition and Disposal of Assets" | Approved. |
| | 4. Discussion of amending "Procedures Making of Endorsements/Guarantees". | Approved. |
| | 5. Discussion of amending "Procedures Governing Loaning of Funds" | Approved. |
| | 6. Discussion of amending "Processing procedure of derivative". | Approved. |
| | 7. Approval of discussing the proposal of handling private placement of common stock. | Approved. |

| Date | Board of directors | Major resolutions |
|---------------|--------------------|---|
| 10 March 2022 | Board of directors | <ol style="list-style-type: none"> 1. "Internal Control System Statement" for 2021. 2. Employee compensation and the distribution of directors' and supervisors' remuneration for 2021 3. Annual business report and financial statements for 2021. 4. Loss make-up proposal for 2021 5. Reelection of directors of the Company. 6. Determine the date, time, venue, and other related matters for the regular meeting of shareholders for 2022. 7. Handle matters proposed by more than 1% of shareholders. 8. Handle matters related to the nomination of directors (including independent directors) candidates by more than 1% of shareholders. 9. The report on the implementation of the regular meeting of shareholders passed the Private Placements of Securities for 2021 10. The year-end bonuses for employees and year-end red envelopes for directors and supervisors for 2021. 11. Board of Directors performance evaluation results for 2021. 12. Amendment of "Articles of Incorporation". 13. Amendment of "Regulations of Electing Director and Supervisor". 14. Amendment of "Procedures Governing the Acquisition and Disposal of Assets". 15. Amendment of "Procedures Making of Endorsements/Guarantees". 16. Amendment of "Procedures Governing Loaning of Funds". 17. Amendment of "Processing procedure of derivative". 18 Amendment of "Regulations Governing Procedure for Board of Directors Meetings". 19 Amendment of "Procedure of tackling internal material information and avoiding insider trading management" 20 Amendment of "Regulations of Long-term and Short-term Investment Management". 21 Amendment of "Regulations of Related Parties Trading Management". 22 Amendment of "Ethical Corporate Management Best Practice Principles". 23 Amendment of "Corporate Governance Best Practice Principles". 24 Amendment of "Sustainable Development Best Practice Principles". 25 Amendment of "Regulations of Remuneration Committee Organization" 26 Amendment of "Rules Governing the Scope of Powers of Independent Directors". |

| | | |
|-----------------|--------------------|---|
| | | <p>27 Formulation of "Regulations of Audit Committee organization".</p> <p>28 Amendment of "Regulations of Director Remuneration Management".</p> <p>29. Amendment of "Regulations of Employee Salary Management" .</p> |
| 21 April 2022 | Board of directors | <p>1. Resolution on the list of candidates for directors and independent directors at the regular meeting of shareholders for 2022.</p> <p>2. Handle Private Placements of Securities.</p> <p>3. Amendments of the related proposal by the regular meeting of shareholders for 2022.</p> <p>4. Loaning of Funds of the company.</p> <p>5. Amendments of the internal control system - bill collection management.</p> <p>6. Formulate the internal control system - the management for the audit committee's operation.</p> |
| 2 June 2022 | Board of directors | <p>1. Election of the Fourteenth chairman.</p> |
| 4 August 2022 | Board of directors | <p>1. Adjustment of CPAs.</p> <p>2. Appointment of the Company's fifth remuneration committee members.</p> <p>3. The planning schedule of greenhouse gas inventory and verification.</p> <p>4. Authorize the chairman to handle the margin purchase with the First Bank.</p> <p>5. Amendment of the Company's internal control system purchase and payment cycle - part of the provisions of the inspection.</p> <p>6. Amendment of the Company's internal control system sale and receipt cycle (compound) - part of the provisions of shipping.</p> <p>7. Proposal of formulating specific improvement plan in internal control system.</p> |
| 3 November 2022 | Board of directors | <p>1. The Company's 2023 audit plan.</p> <p>2. The 2023 business report.</p> <p>3. Amendment of some provisions of the Company's "Regulation for Performance Evaluation" for the board of directors.</p> <p>4. Amendment of "Procedure of tackling internal material information and avoiding insider trading management"</p> <p>5. Discussion of 2022 year-end bonuses of managers and directors.</p> |

| | | |
|---------------|--------------------|---|
| 9 March 2023 | Board of directors | <ol style="list-style-type: none"> 1. Proposal of 2021 Statement of Internal Control System. 2. Proposal of 2022 distribution of employee's salary and director and supervisor's remuneration. 3. Proposal of 2022 business report and financial statement. 4. Proposal of 2022 distribution of earnings. 5. Proposal of surplus profit distributed in the form of new shares. 6. Proposal of 2023 regular meeting of shareholders' date, time and venue and other matters. 7. 17. Proposal of releasing the prohibition on directors from participation in competitive business 8. Proposal of accepting the proposal from the shareholders holding one percent (1%). 9. Amendment of "Regulation for Director's Election". 10. Amendment of Rules of Procedure for Board of Directors Meetings. 11. Proposal of 2022 performance evaluation result of the board of directors. 12. Proposal of making of endorsements/guarantees for VietNam Pontex. 13. Proposal of formulating the approval of general principles in non-assurance service policy in advance. 14. Proposal of formulating the issue price of private placement of common shares. |
| 23 March 2023 | Board of directors | <ol style="list-style-type: none"> 1. Proposal of report on the payment status of the issuance of private placement common shares and adjustment of the number of subscribed shares. |
| 31 March 2023 | Board of directors | <ol style="list-style-type: none"> 1. Proposal of the Company's director by-election. 2. Amendment of 2023 regular meeting of shareholders' date, time and venue and other matters. 3. Proposal of accepting the candidate nomination of directors from shareholders holding one percent (1%). |
| 27 April 2023 | Board of directors | <ol style="list-style-type: none"> 1. Proposal of the Company's 2023 independent assessment of CPAs and the appointment remuneration for the certified accountants. 2. Discussion of resolution for director candidate list nominated in 2023 regular shareholders' meeting. 3. Proposal of report on the handling of private placement of common stock approved in the Company's 2022 regular shareholders' meeting. 4. Proposal of handling private placement of common stock. 5. Amendment of reason for 2023 regular shareholders' meeting. 6. Proposal of releasing the prohibition on directors from participation in competitive business. 7. Proposal of setting up a corporate governance supervisor of the Company. |

4.13 Major contents of any dissenting opinions on record or stated in a written statement made by directors or supervisors regarding material resolutions of the board meeting in the most recent year up to the publication date of this annual report: None.

4.14 Resignation or dismissal of the Company's chairman, general manager, and heads of accounting, finance, internal audit, corporate governance and R&D in the recent year to the date of the annual report was printed: None.

Pontex Polyblend Co., Ltd.
Statement of Internal Control System

Date: 9 March 2023

Based on the findings of a self-assessment, Pontex Polyblend Co., Ltd. states the following with regard to its internal control system during the year 2022:

1. Pontex Polyblend Co., Ltd.'s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. The internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Pontex Polyblend Co., Ltd. takes immediate remedial actions in response to any identified deficiencies.
3. Pontex Polyblend Co., Ltd. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. Pontex Polyblend Co., Ltd. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- 5.. Based on the findings of such evaluation, Pontex Polyblend Co., Ltd. believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and

management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.

6. This Statement is an integral part of Pontex Polyblend Co., Ltd.'s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

7. This Statement was passed by the Board of Directors in their meeting held on 9 March 2023, with none of the 11 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Pontex Polyblend Co., Ltd.

Chairman: Henry Global Investment Co., Ltd.

General manager:

5. Information Regarding the Company's Audit Fee of CPA

Unit: NT\$ thousands

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit fee | Non-audit fee | Total | Remark |
|-----------------|--------------------------------|-----------------------------------|-----------|---------------|-------|--------|
| Ernst & Young | TU, CHIN-YUAN, HUANG, TZU-PING | 1 January 2022 – 31 December 2022 | 3,505 | 772 | 4,277 | |
| | HUANG, YU-TING, YEN, WEN-PI | | | | | |

Please describe in detail the content of the non-audit fees:

Non-audit fees include tax visas, transfer pricing, financial statement and annual report of shareholders' meeting (English version), amendments to the company's Articles of Incorporation and changes in the registration in the Ministry of Economic Affairs, internal control, and the inspection period to the company's quarterly reports, and annual reports, including fare, typing, photocopying, and binding fees).

Note: If the Company has changed CPA or accounting firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason. The information should be explained in the remarks column, and information such as audit

and non-audit fees paid should be disclosed in sequence. The service of non-audit fees should be explained with a note.

6. Replacement of CPAs:

The Company has cooperated with the securities competent authority to enhance the independence of the certified CPAs, to implement a self-rotation mechanism for the CPAs. The CPAs responsible for the certification of the Company's financial statements, the following adjustments of visa service will be made in the second quarter of 2022:

Former CPAs: TU, CHIN-YUAN, HUANG, YU-TING, audit period: 1 January 2022 – 31 March 2022.

Newly appointed CPAs: HUANG, TZU-PING, YEN, WEN-PI, audit period: 1 April 2022 – 31 December 2022.

7. The Chairman, President and Financial or Accounting Manager of the Company Who Has, in the Most Recent Year, Held a Position at the Accounting Firm of Its CPA or at an Affiliated Company: None.

8. In the Previous Period to the Date This Report Was Printed, The Transfer of Shares or Changes in the Pledge of Shares Under Lien by the Directors, Managers, and Shareholders Holding More Than 10% of the Shares Issued by the Company:

8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders:

Unit: shares

| Title | Name | 2022 | | As of 9 April of current year | |
|---|-----------------------------------|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Henry Global Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Chairman, Representative of the juridical person, and general manager | SHEN, MAO-KEN | 0 | 0 | 0 | 0 |

| Title | Name | 2022 | | As of 9 April of current year | |
|---|---|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director | Fortune Ever Investment Co., Ltd | 0 | 0 | 0 | 0 |
| Representative of juridical person director | SHONE, DE-GENT | 0 | 0 | 0 | 0 |
| Director | Peace Ever Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juridical person director | JENG, RONG-JUH (Transfer from supervisor to Representative of juridical person director on 2 June 2022.JENG, RONG-JUH | 0 | 0 | 0 | 0 |
| Representative of juridical person director | YEN, SHIH-WEI (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 |
| Director | Bangtai Investment Co., Ltd | 0 | 0 | 0 | 0 |
| Representative of juridical person director | CHEN, ZONG-YI | 0 | 0 | 0 | 0 |
| Director | Jiajie Heyi Co., Ltd. | 0 | 0 | 0 | 0 |
| Representative of juridical person director | HSU, YIN-JU | 0 | 0 | 0 | 0 |

| Title | Name | 2022 | | As of 9 April of current year | |
|--------------------------|--|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director | LAI, HSING-YI (Resigned on 23 March 2023) | 0 | 0 | 0 | 0 |
| Director | TSENG, SAN-PI (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 |
| Director | CHANG, MING-TUNG (transfer from supervisor to director on 2 June 2022) | 0 | 0 | 0 | 0 |
| Independent director | KUO, TIEN-TSAI | 0 | 0 | 0 | 0 |
| Independent director | SHEN, HSIU-HSIUNG | 0 | 0 | 0 | 0 |
| Independent director | HSU, CHI-SHAN | 0 | 0 | 0 | 0 |
| Independent director | LEE, WEN-PIN | 0 | 0 | 0 | 0 |
| Supervisor | CHANG, MING-TUNG (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 |
| Supervisor | WEI, MEI-HUEI (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 |
| Supervisor | JENG, RONG-JUH (Resigned on 2 June 2022) | 0 | 0 | 0 | 0 |
| General manager | YU, YU-FA | 0 | 0 | 0 | 0 |
| Vice general manager | WU, MEI-LING | 0 | 0 | 0 | 0 |
| Executive senior manager | HORNG, JING-CHERNG | 0 | 0 | 0 | 0 |

| Title | Name | 2022 | | As of 9 April of current year | |
|--------------------------------|-----------------|-----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Senior manager | LIN, HSIEN-YUAN | 0 | 0 | 0 | 0 |
| Senior manager | LIAO, SHIH-YUAN | 0 | 0 | 0 | 0 |
| Financial / Accounting officer | CHUNG, HSIU-CHU | 0 | 0 | 0 | 0 |

8.2 Information on transfer of shares: None

8.3 Information on Shares Pledge with Related Parties: None

The Company's director, supervisor, manager, or shareholder with a stake of more than 10 percent and the counterparty in equity interests are not a related party, therefore, not applicable.

9. The information of Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives within Two Degrees

The information of Relationship Between the Company's Top Ten Shareholders

9 April 2023

| Name (Note 1) | Current Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3) | | Remarks |
|---|----------------------|-------|----------------------------------|-------|---|----|---|--|---------|
| | Shares | % | Shares | % | Shares | % | Title (Name) | Relationship | |
| Houndey Enterprise Co., Ltd. | 6,666,000 | 7.33% | 0 | 0% | 0 | 0% | None | None | None |
| Henry Global Investmen t Co., Ltd. | 5,000,000 | 5.50% | 0 | 0% | 0 | 0% | None | None | None |
| Represent ative: SHEN, MAO- KEN | 2,170,000 | 2.39% | 1,380,000 | 1.52% | 0 | 0% | LAI, HSING- YI | Spou se | None |
| Daily Polymer Corp. | 3,500,000 | 3.85% | 0 | 0% | 0 | 0% | None | None | None |
| YU, YU- FA | 2,333,367 | 2.57% | 166,417 | 0.18% | 0 | 0% | None | None | None |
| SHEN, MAO- KEN | 2,170,000 | 2.39% | 1,380,000 | 1.52% | 0 | 0% | LAI, HSING- YI | Spou se | None |
| TSENG, SAN-PI | 2,100,152 | 2.31% | 13,604 | 0.02% | 0 | 0% | None | None | None |
| CHANG, MING- TUNG | 1,633,996 | 1.80% | 0 | 0% | 0 | 0% | SHEN, MAO- KEN | kindr ed withi n the 2nd tier to | None |

| | | | | | | | | | |
|--|-----------|-------|-----------|-------|---------|-------|----------------------|----------------|------|
| | | | | | | | | one another | |
| LAI, HSING- YI (Resigned on 23 March 2023) | 1,380,000 | 1.52% | 2,170,000 | 2.39% | 0 | 0% | SHEN, MAO- KEN | Spou se | None |
| Fortune Ever Investmen t Co., Ltd | 1,275,294 | 1.40% | 0 | 0% | 843,409 | 1.00% | None | None | None |
| Represent ative: SHONE, DE- GENT | 500,000 | 0.55% | 0 | 0% | 0 | 0% | None | None | None |
| SHEN, TAI-YU | 1,254,000 | 1.38% | 0 | 0% | 0 | 0% | None | None | None |

Note 1: List the top 10 shareholders, if the shareholders are institutional shareholders, list the names of the institutions and the representatives separately.

Note 2: The proportion of shareholding should include the holding in the own name of the person, by a spouse, minor, or nominee in the calculation.

Note 3: Disclose the relation of the shareholders, including institutions and natural persons, in accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers.

10. The Quantity of Shares Issued by the Investee Company Held Jointly by the Directors, Supervisors, Managers, and Direct or Indirect Controlled Entity of the Company, and the Proportion of Shares Under Joint Holding:

combined calculation of the comprehensive shareholding ratio

Unit: shares; %

| Affiliated Enterprises | Ownership by the Company | | Direct or Indirect Ownership by Directors/Supervisors/Managers | | Total Ownership | |
|------------------------------------|--------------------------|------|--|----|-----------------|------|
| | Shares | % | Shares | % | Shares | % |
| Multitex Polyblend Co., LTD | 6,000,020 | 100% | 0 | 0% | 6,000,020 | 100% |
| Pontex(Q.Y) Polyblend Co., Ltd. | 6,000,020 | 100% | 0 | 0% | 6,000,020 | 100% |
| Polytech Global Limited | 9,060,000 | 100% | 0 | 0% | 9,060,000 | 100% |
| Cleated Molding Global Limited | 9,060,000 | 100% | 0 | 0% | 9,060,000 | 100% |
| VietNam Pontex Polyblend Co., Ltd. | 9,060,000 | 100% | 0 | 0% | 9,060,000 | 100% |

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of Capital

| Month /Year | Par Value (NT\$) | Authorized Capital | | Capital Stock | | Remark | | |
|----------------|------------------|--------------------|---------------|---------------|---------------|---|---|--------|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital (NT\$ thousands) | Capital Increased by Assets Other than Cash | Other |
| December 1982 | 10 | 200,000 | 2,000,000 | 200,000 | 2,000,000 | Original Investment | None | |
| September 1986 | 10 | 1,250,000 | 12,500,000 | 1,250,000 | 12,500,000 | Cash capital increase NT\$10,500 thousands | None | |
| August 1987 | 10 | 2,500,000 | 25,000,000 | 2,500,000 | 25,000,000 | Cash capital increase NT\$12,500 thousands | None | |
| May 1991 | 10 | 14,046,800 | 140,468,000 | 14,046,800 | 140,468,000 | Capitalization of additional paid-in capital NT\$115,468 thousands | None | |
| July 1996 | 10 | 17,558,500 | 175,585,000 | 17,558,500 | 175,585,000 | Capitalization of additional paid-in capital NT\$21,070 thousands, Capitalization of retained earnings NT\$14,047 thousands | None | Note 1 |
| October 1998 | 10 | 19,314,350 | 193,143,500 | 19,314,350 | 193,143,500 | Capitalization of retained earnings NT\$17,558 thousands | None | Note 2 |

| Month /Year | Par Value (NT\$) | Authorized Capital | | Capital Stock | | Remark | | |
|---------------|------------------|--------------------|---------------|---------------|---------------|---|---|--------|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital (NT\$ thousands) | Capital Increased by Assets Other than Cash | Other |
| July 1999 | 11 | 33,168,000 | 331,680,000 | 33,168,000 | 331,680,000 | Capitalization of retained earnings NT\$23,177 thousands, Cash capital increase NT\$ 115,359 | None | Note 3 |
| December 2000 | 13 | 50,000,000 | 500,000,000 | 42,123,360 | 421,233,600 | Capitalization of retained earnings NT\$33,168 thousands, Capitalization of additional paid-in capital NT\$6,634 thousands, Cash capital increase NT\$ 49,752 | None | Note 4 |
| August 2001 | 10 | 60,000,000 | 600,000,000 | 47,178,163 | 471,781,630 | Capitalization of retained earnings NT\$ 21,062 thousands, Capitalization of additional paid-in capital NT\$29,486 thousands | None | Note 5 |
| April 2002 | 10 | 100,000,000 | 1,000,000,000 | 52,839,543 | 528,395,430 | Capitalization of retained earnings NT\$ 56,614 thousands | None | Note 6 |
| June 2002 | 29 | 100,000,000 | 1,000,000,000 | 67,939,543 | 679,395,430 | Cash capital increase NT\$ 151,000 thousands | None | Note 7 |

| Month /Year | Par Value (NT\$) | Authorized Capital | | Capital Stock | | Remark | | |
|----------------|------------------|--------------------|---------------|---------------|---------------|--|---|---------|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital (NT\$ thousands) | Capital Increased by Assets Other than Cash | Other |
| July 2003 | 10 | 120,000,000 | 1,200,000,000 | 76,092,289 | 760,922,890 | Capitalization of retained earnings NT\$40,764 thousands, Capitalization of additional paid-in capital NT\$40,763 thousands | None | Note 8 |
| March 2004 | 10 | 120,000,000 | 1,200,000,000 | 76,351,901 | 763,519,010 | Convertible corporate bonds NT\$2,596 thousands | None | Note 9 |
| June 2004 | 10 | 120,000,000 | 1,200,000,000 | 97,197,986 | 971,979,860 | Convertible corporate bonds NT\$208,460 thousands | None | Note 10 |
| September 2005 | 10 | 120,000,000 | 1,200,000,000 | 101,209,448 | 1,012,094,480 | Convertible corporate bonds NT\$40,115 thousands | None | Note 11 |
| December 2005 | 10 | 120,000,000 | 1,200,000,000 | 104,233,748 | 1,042,337,480 | Convertible corporate bonds NT\$30,243 thousands | None | Note 12 |
| February 2006 | 10 | 120,000,000 | 1,200,000,000 | 106,463,617 | 1,064,636,170 | Convertible corporate bonds NT\$22,299 thousands | None | Note 13 |
| July 2006 | 15 | 200,000,000 | 2,000,000,000 | 142,963,617 | 1,429,636,170 | Proceeds from issuing shares NT\$365,000 thousands | None | Note 14 |

| Month /Year | Par Value (NT\$) | Authorized Capital | | Capital Stock | | Remark | | |
|----------------|------------------|--------------------|---------------|---------------|---------------|---|---|---------|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Sources of Capital (NT\$ thousands) | Capital Increased by Assets Other than Cash | Other |
| August 2008 | 10 | 200,000,000 | 2,000,000,000 | 150,111,797 | 1,501,117,970 | Capitalization of additional paid-in capital NT\$50,037 thousands Capitalization of retained earnings NT\$21,445 thousands | None | Note 15 |
| June 2009 | 10 | 200,000,000 | 2,000,000,000 | 101,902,107 | 1,019,021,070 | Capital reduction of NT\$482,097 thousands | None | Note 16 |
| June 2009 | 10 | 200,000,000 | 2,000,000,000 | 151,902,107 | 1,519,021,070 | Cash capital increase NT\$ NT\$500,000 thousands | None | Note 17 |
| November 2010 | 10 | 350,000,000 | 3,500,000,000 | 201,902,107 | 2,019,021,070 | Cash capital increase NT\$ NT\$500,000 thousands | None | Note 18 |
| August 2013 | 10 | 350,000,000 | 3,500,000,000 | 120,306,391 | 1,203,063,910 | Capital reduction of NT\$815,957 thousands | None | Note 19 |
| September 2017 | 10 | 350,000,000 | 3,500,000,000 | 84,300,000 | 843,000,000 | Capital reduction of NT\$360,064 thousands | None | Note 20 |
| April 2023 | 10 | 350,000,000 | 3,500,000,000 | 90,966,000 | 909,660,000 | Private cash capital increase NT\$66,660,000 | None | Note 21 |

Note (1): Ministry of Economic Affairs Jing (85) Shan No. 114875 dated 17 September 1996.

Note (2): Ministry of Economic Affairs Jing (87) Shan No. 138263 dated 25 November 1998.

Note (3): Ministry of Finance Securities and Futures Bureau (SFB) Letter (88) Tai-Tsai-Cheng-(Yi) No. 58040 dated 3 July 1999

Note (4): Ministry of Finance Securities and Futures Bureau (SFB) Letter (89) Tai-Tsai-Cheng-(Yi) No. 83785 dated 9 October 2000

Note (5): Ministry of Finance Securities and Futures Bureau (SFB) Letter (90) Tai-Tsai-Cheng-(Yi) No. 150145 dated 6 August 2001

Note (6): Ministry of Finance Securities and Futures Bureau (SFB) Letter (91) Tai-Tsai-Cheng-(Yi) No. 117459 dated 18 April 2002

Note (7): Ministry of Finance Securities and Futures Bureau (SFB) Tai-Tsai-Cheng-(Yi) No.09100129621 dated 6 June 2002

Note (8): Ministry of Finance Securities and Futures Bureau (SFB) Tai-Tsai-Cheng-(Yi) No. 0920130142 dated 7 July 2003

Note (9): Ministry of Finance Securities and Futures Bureau (SFB) Tai-Tsai-Cheng-(Yi) No. 0920153663 dated 21 November 2003

Note (10): Ministry of Economic Affairs Jing-Shou-Shan No. 0930197460 dated 23 July 2004.

Note (11): Ministry of Economic Affairs Jing-Shou-Shan No. 09401207590 dated 20 October 2005.

Note (12): Ministry of Economic Affairs Jing-Shou-Shan No. 09501012420 dated 19 January 2006

Note (13): Ministry of Economic Affairs Jing-Shou-Shan No. 09501045230 dated 17 March 2006

Note (14): Ministry of Economic Affairs Jing-Shou-Shan No. 09501128510 dated 3 July 2006

Note (15): Ministry of Economic Affairs Jing-Shou-Shan No. 09701194380 dated 13 August 2008

Note (16): Ministry of Economic Affairs Jing-Shou-Shan No. 09801128430 dated 26 June 2009

Note (17): Ministry of Economic Affairs Jing-Shou-Shan No. 09801247650 dated 27 October 2009

Note (18): Ministry of Economic Affairs Jing-Shou-Shan No. 09901260570 dated 19 November 2010

Note (19): Ministry of Economic Affairs Jing-Shou-Shan No. 10201172320 dated 22 August 2013

Note (20): Ministry of Economic Affairs Jing-Shou-Shan No. 10601122460 dated 6 September 2017

Note (21): Ministry of Economic Affairs Jing-Shou-Shan No. 11230059130 dated 18 April 2023

| Share Type | Authorized Capital | | | Remarks |
|--------------------------|--------------------|------------------|--------------|------------------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Registered common shares | 90,966,000 | 265,700,000 | 350,000,000 | OTC-Listed stock |

Information for shelf registration: None.

4.1.2 Status of shareholders

Status of Shareholders

9 April 2023

| Type of shareholders Number | Governme nt Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|-----------------------------------|----------------------------|---------------------------|----------------------------|-----------------------------|---|------------|
| Number of Shareholders | 0 | 0 | 132 | 16,143 | 11 | 16,286 |
| Shareholding (shares) | 0 | 0 | 18,780,336 | 71,269,255 | 916,409 | 90,966,000 |
| Percentage | 0.00% | 0.00% | 20.65% | 78.35% | 1.00% | 100.00% |

4.1.3 Shareholding distribution status

Shareholding Distribution Status

Par value NT\$10 per share

9 April 2023

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--|------------------------|-----------------------|------------|
| 1 ~ 999 | 12,916 | 702,151 | 0.77% |
| 1,000 ~ 5,000 | 2,108 | 4,826,075 | 5.31% |
| 5,001 ~ 10,000 | 516 | 4,021,379 | 4.42% |
| 10,001 ~ 15,000 | 184 | 2,346,998 | 2.58% |
| 15,001 ~ 20,000 | 102 | 1,822,690 | 2.00% |
| 20,001 ~ 30,000 | 110 | 2,740,070 | 3.01% |
| 30,001 ~ 40,000 | 54 | 1,914,579 | 2.11% |
| 40,001 ~ 50,000 | 52 | 2,338,382 | 2.57% |
| 50,001 ~ 100,000 | 112 | 8,381,347 | 9.21% |
| 100,001 ~ 200,000 | 61 | 8,244,584 | 9.06% |
| 200,001 ~ 400,000 | 36 | 10,247,651 | 11.27% |
| 400,001 ~ 600,000 | 13 | 6,649,715 | 7.31% |
| 600,001 ~ 800,000 | 6 | 3,998,785 | 4.40% |
| 800,001 ~ 1,000,000 | 5 | 4,328,785 | 4.76% |
| 1,000,001 or over | 11 | 28,402,809 | 31.22% |
| Total | 16,286 | 90,966,000 | 100.00% |

Preferred Shares: None.

4.1.4 List of Major Shareholders:

The list of shareholders holding more than 5% of the shares or the top 10 shareholders in terms of shareholding ratio.

9 April 2023

| Major shareholders | Shares | Shareholding | |
|-----------------------------------|-----------|----------------|--|
| | Shares | Percentage (%) | |
| Houndey Enterprise Co., Ltd. | 6,666,000 | 7.33% | |
| Henry Global Investment Co., Ltd. | 5,000,000 | 5.50% | |
| Daily Polymer Cooperation | 3,500,000 | 3.85% | |
| YU, YU-FA | 2,333,367 | 2.57% | |
| SHEN, MAO-KEN | 2,170,000 | 2.39% | |
| TSENG, SAN-PI | 2,100,152 | 2.31% | |
| CHANG, MING-TUNG | 1,633,996 | 1.80% | |
| LAI, HSING-YI | 1,380,000 | 1.52% | |
| Fortune Ever Investment Co., Ltd | 1,275,294 | 1.40% | |
| SHEN, TAI-YU | 1,254,000 | 1.38% | |

4.1.5 Market price, net worth, earnings, and dividends per share in recent two years:

Unit: NT\$

| Year | | 2021 | 2022 | As of 31 March 2023 (Note 8) |
|------------------------------------|----------------------|-------|-------|---------------------------------|
| Market Price per Share (Note 1) | Highest Market Price | 19.05 | 16.70 | 12.90 |
| | Lowest Market Price | 7.71 | 10.20 | 11.30 |
| | Average Market Price | 13.96 | 14.11 | 11.91 |
| Net Worth per Share (Note2) | Before Distribution | 9.30 | 9.94 | 9.85 |
| | After Distribution | - | - | |

| Year | | 2021 | 2022 | As of 31 March 2023 (Note 8) |
|----------------------|--|----------------------------------|--------|---------------------------------|
| Item | | | | |
| Earnings per Share | Weighted Average Shares (thousand shares) | 84,300 | 84,300 | 84,967 |
| | Earnings per Share (Note 3) | 0.52 | 0.32 | (0.13) |
| Dividends per Share | Cash Dividends | - | - | - |
| | Stock Dividend distribution | Dividends from Retained Earnings | 0.30 | - |
| | | Dividends from Capital Surplus | - | - |
| | Accumulated Undistributed Dividends (Note 4) | | - | - |
| Return on Investment | Price / Earnings ratio (Note5) | 26.85 | 44.09 | - |
| | Price / Dividend ratio (Note6) | - | - | - |
| | Cash Dividend Yield (Note7) | - | - | - |

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

Note 1: Set forth the highest and lowest market prices per common share for each year and calculate each year's average market price based on that year's transaction value and transaction volume.

Note 2: Please refer to the number of shares issued at the end of the year and fill in the distribution according to the resolution of the Board of directors or the next year's shareholders' meeting.

Note 3: If there is a retroactive adjustment due to stock dividend distribution or other conditions, the adjustment before and after earnings per share shall be listed.

Note 4: If unpaid dividends in the current year might be accumulated and distributed in a profitable year are formulated in the issuance condition of equity securities, the cumulated and unpaid dividends up to the current year shall be disclosed respectively.

Note 5: Price/Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share / Average Market Price

Note 8: The net worth per share and earnings per share shall be filled in with the information audited (reviewed) by a CPA for the most recent quarter up to the date of publication of the annual report. The other columns shall be filled with the data of the current year up to the date of publication of the annual report.

4.1.6 Dividend Policy and Implementation Status:

1. Dividend Policy

According to the company's Articles of Incorporation, the company is growing. Considering the company's long-term financial planning and capital needs, the distribution of earnings is the company's annual settlement. The company shall after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. Additionally, after contributing or reversing the special reserve by the regulations of the authority, the Board of directors shall propose distribution for the net remainder and the accumulated undistributed earnings of the previous year and submit to the shareholders' meeting for a resolution on shareholder dividends, and allocate the net remainder:

- a. Employee bonuses should be allocated no less than 1% as employee compensation, and the Board of Directors suggests distribution according to the current year's earnings. The object of distribution of dividends and bonuses is authorized by the Board of Directors to the chairman by the Company's "Regulation of employee dividends".
- b. The remuneration of directors and supervisors shall not exceed 8%, and the Board of Directors shall suggest distribution according to the current year's earnings.
- c. The company's dividend policy should take into account the profit situation, capital structure, and future operational needs. Every year, the Company will allocate no less than 10% of distributable earnings to distribute to shareholders as dividends. However, if the dividend per share based on the distributable earnings is less than 0.5 yuan, it may not be distributed. The dividends may be distributed in cash or stock, but the maximum limit for stock dividends is 10% of the total dividend amount.

After the Board of Directors drafts the earnings distribution plan, it shall be submitted to the shareholders' meeting for decision.

2. Proposed distribution of dividends at the annual shareholders' meeting: None

Shareholders' stocks and dividends: A total of NT\$25,290,000 was allocated from the earnings for the purpose of issuing new shares through capital increase in 2022, with a distribution of 30 shares per thousand shares. The distribution date of shares will be determined by the Board of Directors upon approval by the shareholders' meeting and submission to the competent authority for approval.

4.1.7 Impact on 2021 business performance and EPS resulting from stock dividend distribution proposed in shareholders' meeting: None.

4.1.8 Compensation of Employees, Directors and Supervisors:

1.

According to the Company's Articles of Incorporation, the company is growing. Considering the company's long-term financial planning and capital needs, the distribution of earnings is the company's annual settlement. The company shall after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. Additionally, after contributing or reversing the special reserve by the regulations of the authority, the board of directors shall propose distribution for the net remainder and the accumulated undistributed earnings of the previous year, and submit to the shareholders' meeting for a resolution on shareholder dividends, and allocate the net remainder:

- a. Employee bonuses should be allocated no less than 1% as employee compensation, and the Board of Directors suggests distribution according to the current year's earnings. The object of distribution of dividends and bonuses is authorized by the Board of Directors to the chairman by the Company's "Regulation of Employee Dividends".
- b. The remuneration of directors and supervisors shall not exceed 8%, and the Board of Directors shall suggest distribution according to the current year's earnings.
- c. The company's dividend policy should take into account the profit situation, capital structure, and future operational needs. Every year, the Company will allocate no less than 10% of distributable earnings to distribute to shareholders as dividends. However, if the dividend per share based on the distributable earnings is less than 0.5 yuan, it may not be distributed. The dividends may be distributed in cash or stock, but the maximum limit for stock dividends is 10% of the total dividend amount.

The balance shall be retained by the laws and regulations. After the Board of Directors drafts the earnings distribution plan, it shall be submitted to the shareholders' meeting for decision.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: None.
3. The distribution condition of compensation approved by the Board of Directors:
 - (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: None.
 - (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.
4. The actual allocation of employees', directors' and supervisors' compensation which include the number, amount, and stock price in the previous year. If there is any difference between the listed employees', directors' and supervisors' compensation, the difference, reason, and solution shall be stated: None.

4.1.9 Buy-back of Treasury Stock: None.

4.2 Corporate Bonds: None

4.3 Preferred Shares: None

Preferred Shares with Warrants: None.

4.4. Global Depository Receipts: None

4.5. Employee Stock Option Plan: None

1. The annual report shall disclose unexpired employee subscription warrants issued by the company in existence as of the date of publication of the annual report and shall explain the effect of such warrants upon shareholders' equity. Any privately placed employee subscription warrants shall be prominently identified as such: None.

2. Up to the date of publication of the annual report, employee stock options were granted to the management team and the top 10 employees: None.

4.6. Issuance of New Restricted Employee Shares: None

1. For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, the annual report shall disclose the status up to the date of publication of the annual report and the effect on shareholders' equity: None.

2. Up to the date of publication of the annual report, employee restricted stock was granted to the management team and the top 10 employees: None.

4.7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.8 Funding Plans and Implementation: None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Major Business:

According to the Company's Business Scope in the Change Registration Form, the main business as below:

- (1) C801100 Synthetic Resin and Plastic Manufacturing
- (2) C801990 Other Chemical Materials Manufacturing
- (3) C805070 Reinforced Plastic Products Manufacturing
- (4) C805050 Industrial Plastic Products Manufacturing

- (5) C801030 Precision Chemical Material Manufacturing
- (6) C805990 Other Plastic Products Manufacturing
- (7) F107200 Wholesale of Chemical Feedstock
- (8) F207200 Retail Sale of Chemical Feedstock
- (9) F107990 Wholesale of Other Chemical Products
- (10) F207990 Retail Sale of Other Chemical Products
- (11) CK01010 Footwear Manufacturing
- (12) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (13) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
- (14) CF01011 Medical Devices Manufacturing
- (15) F108031 Wholesale of Medical Devices
- (16) F208031 Retail Sale of Medical Apparatus
- (17) CA04010 Surface Treatments
- (18) CQ01010 Mold and Die Manufacturing
- (19) F106030 Wholesale of Molds
- (20) F206030 Retail Sale of Die
- (21) CC01080 Electronics Components Manufacturing
- (22) F119010 Wholesale of Electronic Materials
- (23) F219010 Retail Sale of Electronic Materials
- (24) CE01030 Optical Instruments Manufacturing
- (25) F113030 Wholesale of Precision Instruments
- (26) F213040 Retail Sale of Precision Instruments
- (27) CN01010 Furniture and Decorations Manufacturing
- (28) F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures
- (29) F205040 Retail Sale of Furniture, Bedding Kitchen Utensils and Fixtures
- (30) F107030 Wholesale of Cleaning Supplies
- (31) F207030 Retail Sale of Cleaning Supplies
- (32) CB01010 Mechanical Equipment Manufacturing
- (33) F113010 Wholesale of Machinery

- (34) F213080 Retail Sale of Machinery and Tools
- (35) CB01990 Other Machinery Manufacturing
- (36) F113990 Wholesale of Other Machinery and Tools
- (37) F213990 Retail Sale of Other Machinery and Tools
- (38) C802100 Cosmetics Manufacturing
- (39) F108040 Wholesale of Cosmetics
- (40) F208040 Retail Sale of Cosmetics
- (41) CC01110 Computer and Peripheral Equipment Manufacturing
- (42) F113050 Wholesale of Computers and Clerical Machinery Equipment
- (43) F118010 Wholesale of Computer Software
- (44) F218010 Retail Sale of Computer Software
- (45) CH01010 Sporting and Athletic Articles Manufacturing
- (46) F109070 Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
- (47) F209060 Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
- (48) C701010 Printing
- (49) H701010 Housing and Building Development and Rental
- (50) H701040 Specific Area Development
- (51) F401010 International Trade
- (52) F199990 Other Wholesale Trade
- (53) F299990 Retail Sale of Other Retail Trade Not Elsewhere Classified
- (54) F399990 Retail sale of Other Integrated
- (55) C111010 Tea Manufacturing
- (56) F102050 Wholesale of Tea Leaves
- (57) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
- (58) F203020 Retail Sale of Tobacco and Alcohol
- (59) C110010 Beverage Manufacturing
- (60) F102040 Wholesale of Nonalcoholic Beverages
- (61) F102170 Wholesale of Foods and Groceries

- (62) F203010 Retail Sale of Food, Grocery and Beverage
- (63) C901010 Ceramic and Ceramic Products Manufacturing
- (64) F106050 Wholesale of Pottery, Porcelain and Glassware
- (65) F301020 Supermarkets
- (66) F399010 Convenience Stores
- (67) F501030 Beverage Shops
- (68) I103060 Management Consulting
- (69) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution:

Unit: NT\$ thousands; %

| Product | 2022 | | 2021 | | 2020 | |
|-------------------------------|-----------|--------|-----------|--------|-----------|--------|
| | Amount | % | Amount | % | Amount | % |
| Equipment injection component | 278,675 | 25.81 | 243,653 | 17.67 | 249,215 | 23.51 |
| Plastic compound material | 801,002 | 74.19 | 1,135,550 | 82.33 | 810,879 | 76.49 |
| Sum | 1,079,677 | 100.00 | 1,379,203 | 100.00 | 1,060,094 | 100.00 |

3. The Company's current commodity(service) item:

(1) Equipment business department

- I . Related components of professional exercising equipment, shoe accessories, and outsole.
- II . Design and processing of precision mold.
- III . Provide shoe accessories, outsole injection and design and processing of precision mold.
- IV . 2D and 3D design, and construction services related to shoe materials.
- V . Injection of TPU casual shoes.
- VI. Injection of eco-friendly tableware.
- VII. Injection of Taiwan High Speed Rail component.
- VIII. Injection of car radiators.
- IX. Injection of other various industrial products, 3C product frames, etc.

(2) Compound material business department

- I . Manufacture and sales of engineering plastic materials compound modification material.
- II . Sales of special customized plastic raw materials and general raw materials.
- III . Development and manufacture of customer terminal products and special raw materials.
- IV . Integrated services: mold development, processing, finished product manufacturing, sales
- V . Manufacture and sale of rPET eco-friendly recycled materials and modified materials of biodegradable materials.
- VI . Sales of high-functioning engineering plastic with high value, ultra-high-functioning, low temperature, halogen free, flame retardant and fireproof.
- VII . Manufacture and sale of independent research and development of metalloid patent material.
- VIII . Manufacture and extrusion of solar panel border material.

4. The developing and planning to develop commodity:

- (1) High specification compound material.
- (2) Functional biodegradable plastic.
- (3) Development of high-temperature biodegradable material.
- (4) High-temperature electronic engineering plastic.
- (5) Electroplatable high-density engineering plastic.
- (6) extrudable high-functioning compound material.

2. Industry Overview

2.1 Industry overview and development

The Company divides the product into the equipment business department, and compound material business department, the illustration of industry status is as follows:

(1) Equipment business department:

- (A) Footwear manufacturing is a labor-intensive industry, and its development is affected by land, labor costs, raw material supply, environmental protection, and sales markets. In the past 20 years, Asia has become a concentrated area where major brand shoe factories are located due to superior competitive qualifications. Although China's shoe factories have continuously moved out in recent years, which caused the status has been gradually replaced by Vietnam, Asia has continued to be the largest center of shoemaking in the world. Currently, about 85% of the world's shoes are produced in China, India, Vietnam, Indonesia, Thailand, Pakistan, and other Asian countries. Due to the fierce competition in global sports shoe manufacturing, the competition in the entire shoe industry is not only a competition between brands but also a competition in the supply chain. Brand customers are putting more emphasis on the management of the supply chain. Nike and Adidas have gradually participated in the process of comprehensive arrangement of raw material procurement, product planning, design, material selection, mold manufacturing, and production equipment, and

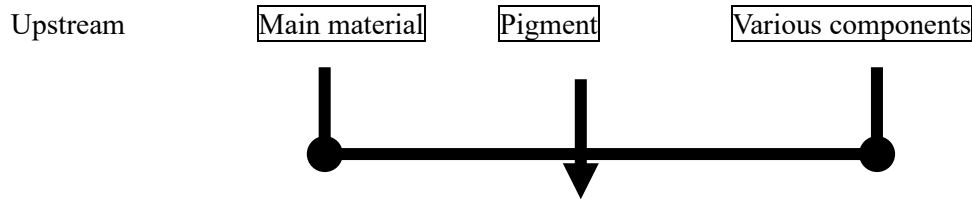
strengthened close cooperation with core suppliers to achieve the best integration of production and sales. The Company specializes in the injection and shaping of components. The Company will continue to play an important role.

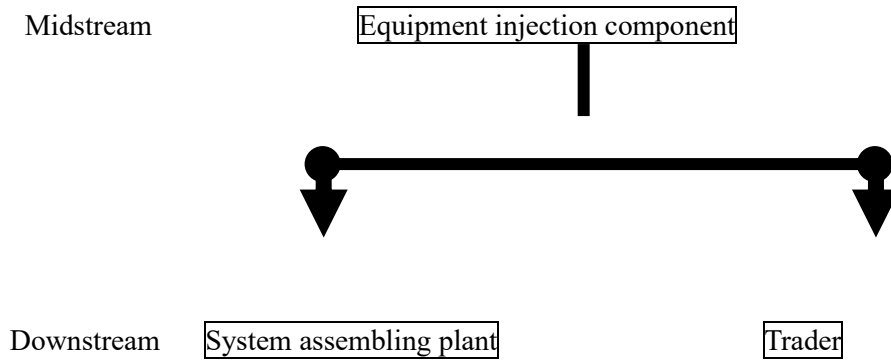
- (B) In the category of footwear, the market is mainly divided into sports shoes, casual shoes, sandals, and others. In 2019, the gross output value of footwear is about USD435.139 billion, and the sports shoe market scale is about USD2056.5, with an annual growth rate of about 5-10%. According to the analysis of an international professional agency, "The major consumer markets of global sports shoes are concentrated in two regions, one is developed countries and regions, such as the United States, the European Union, Japan, Canada, etc.; the other is countries and regions with large populations, such as China, India, Brazil, Indonesia, etc.". Modern people pay more attention to recreational sports. Even if the economy slumps the globe, the global market for sports equipment is still growing year by year. Due to the high concentration of brands in the global sports shoe market, NIKE is the first (including its Jordan brand), Adidas is second, and the total of the two has more than half of the global market share. The brands above and other well-known brands such as ASICS (Japanese brand), PUMA (German brand), and New Balance (American brand) are the top five brands that could account for about 70% of the proportion. Additionally, with the increase in income, the importance of the Chinese market is increasing steadily. Although the first-tier cities still mainly prefer the above-mentioned foreign brands, Chinese local brands such as Anta Sports, Li Ning, 361 sport, Xtep, etc. have also emerged from the fierce competition which stabilizes the second and third-tier markets. Soon, this may change the global sports shoe market. Under Armour, which once emerged briefly and reached its peak in 2015, the business of shoes has not been the main business in recent years and has temporarily lost its important influence on the global market.
- (C) In the past, China's footwear manufacturing was thriving and continued to grow, with an annual growth rate of 10%-20%. In 2014, China's shoe production reached its peak, which has an annual output of 14.3 billion pairs. The labor-cost advantage gradually weakened, and many global shoe brands shifted production from China to other countries. It is worth noting that Vietnam is currently the fastest-growing region in the world for footwear. Since Vietnam has signed bilateral Free Trade Agreements (FTAs) and Multilateral Trade Agreement with many countries, furthermore, is a member of CPTPP, it is expected that the annual growth rate of Vietnam's footwear will grow strongly in the future.
- (D) Due to the radical changes in the manufacturing environment and the development trend of global operations of shoe brands, the domestic production costs of mid-priced and low-priced shoes are too high, and it is difficult to compete with other regions with cheaper labor in Southeast Asia or China in the international market. Under the business philosophy of "Stay rooted in Taiwan, arrange the layout global", the Company retains orders and innovative research and development in Taiwan. While in the methods of overseas production, the Company takes full advantage of Taiwan's talent, management, technology, capital, etc. As well as the relatively low-cost labor and land resources in China and Vietnam, gradually expand the scale of operation and the global footwear market.
- (E) The Company's domestic footwear production line has fully moved to China in 2013. The new Vietnam factory was also officially completed and put into production in September 2017. Currently, China and Vietnam are the two major operating bases and produce a series of international brand products such as NIKE, CROCS, etc. Particularly, Pontex could quickly grasp the future competitive advantages of CPTPP and ASEAN regional economies, and continuously strengthen its key position in the industry. In the long term, major international brands will continue to maintain stable OEM cooperation in Asia, and the Company will be able to win an excellent opportunity to play an important role in the international supply chain.
- (F) Implement the government's renewable energy development policy, and develop durable, anti-corrosion, weather-resistant photovoltaic module to replace part of aluminum alloy framed solar module.

(2) Compound material business department:

- (A) Compound material engineering plastics are widely used in the fields of automobiles, packaging, building materials, 3C, and machine parts due to the advantage of being lightweight, solid, and insulation. They have become important materials to support key or peripheral components in various industries.
 - (B) Engineering plastics have become the fastest-growing material in the plastic market in the world nowadays and have gradually replaced the original materials such as metal, wood, ceramics, glass, and other materials in many terminal application products. The demand in Asia, especially in China, is growing faster. Only by grasping the market's rapidly growing demand for engineering plastics can we grasp the opportunity for continuous growth.
 - (C) Currently, automobiles and electronic products are important application markets for engineering plastics. Among them, polycarbonate (PC) is the engineering plastic with the largest demand, followed by polyamide (PA) and Polypropylene (PP). With the changes and the requirements of laws and regulations in the development trend of application products, automobiles are developed to be lightweight, energy-saving, and eco-friendly. Electronic products are developed to be light, thin, and small to reduce damage to the environment.
 - (D) Global major manufacturers are actively investing in eco-friendly process production, which will also drive raw materials upstream to join the production of eco-friendly materials. The green supply chain has become an indicator for companies to strive for international business opportunities. Engineering plastic materials are at the upstream material end of the entire industry chain, given that environmental protection and recyclable materials such as r-PET are gradually being valued, manufacturers will be more actively get involved in research and development of related materials to welcome the green business opportunities.
 - (E) To Grasp the business opportunities of global restrictions on the import of waste plastics, Pontex's Taiwan and Vietnam factories simultaneously develop the recycling material industry and expand the breadth and depth of diverse compound material products. Furthermore, the Vietnam factory corresponds with CPTPP and issues the 'Certificate of Origin' to strive for the favorable position of preferential tariffs and attract many international customers to cooperate with.
 - (F) Facing the global carbon reduction trend and implementing the government's 2050 net zero carbon emission policy and ESG sustainable operation, the Company develops various carbon reduction products, which could also provide the carbon emission of each product for upstream and downstream customers to achieve carbon reduction policies.
2. The relationship between the upstream, midstream and downstream of the industry:

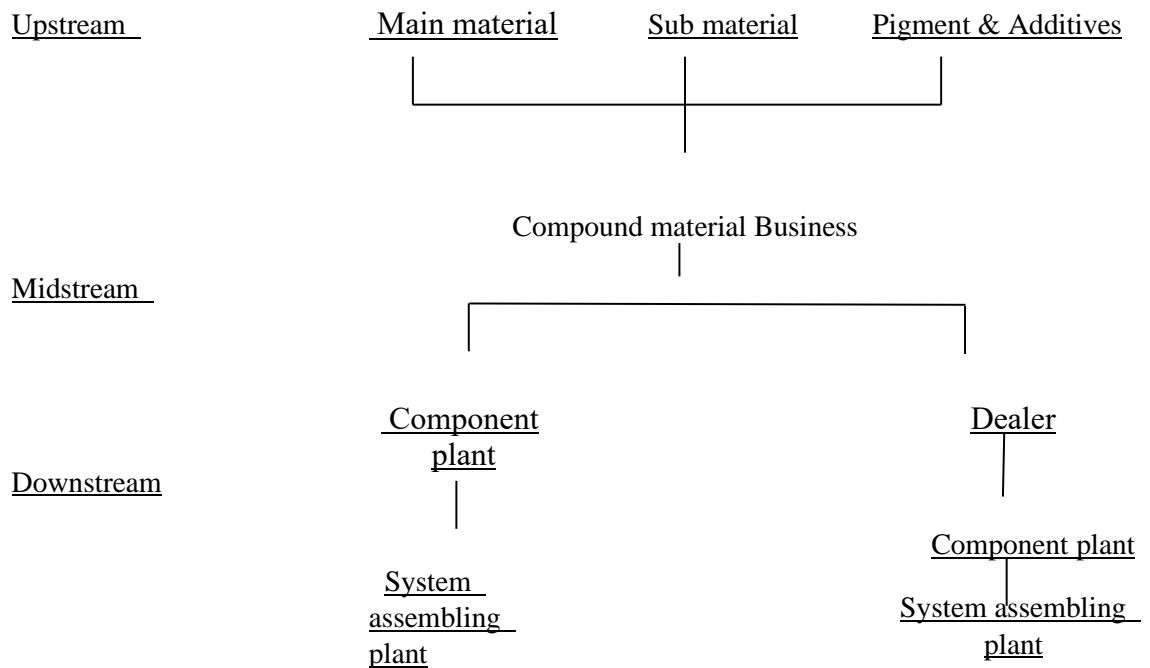
(1) The relationship between the upstream, midstream and downstream of the Equipment Business Department is as below:





Pontex occupies a key position in the midstream of the industry, connecting upstream like raw material and material factories and downstream like assembling factories. Most of the required plastics, rubber and other materials are still imported from abroad. The company then uses capabilities of precision mold development to produce high-performance components, supply downstream customers including major shoe assembling factories and serve specific international well-known manufacturers such as NIKE, CROCS, etc. Therefore, the industry has a very close relationship between the upstream, midstream, and downstream.

(2) The relationship between the upstream, midstream and downstream of the compound material business department as below:



The upstream raw materials of engineering plastic compound materials include PC, PP, NYLON, PBT, ABS, and other plastic raw materials. The downstream uses are extensive, including various 3C industries, sports equipment, medical equipment, automobiles, hand tools, furniture, etc.

3. Product development trends and competition

(1) Equipment business department

(A) A key role in the trend of international professional teamwork

Due to the consideration of professional teamwork and production cost, the internationally well-known shoe factories have almost handed over the production to the Asian supply system. The factories are only responsible for designing the new product and the marketing and advertising of merchandise. Since domestic footwear manufacturing has matured in plastic material technology and mold making, which could compete with international competitors. The Company is not only an OEM factory for international brands but has even played an important role in ODM. Over the years, Taiwan has always been the most important part of global footwear manufacturing. The company takes advantage of external resources from industry, government, and academia to learn product innovation and the latest technology to occupy a place in the market.

(B) Industrial upgrading changes after the production base moved out

Due to the increase in labor and costs of management and sales, most domestic footwear manufacturing has shifted its production to China and Southeast Asian countries. Based on its substantial experience in production and management in domestic, the company has successfully relocated its production bases. Meanwhile, the Company transforms and upgrades Taiwan as a global operation headquarters and development and design center and continues to strengthen competitiveness in industrial strategy and technology. The Company also uses external resources to increase the overall production capacity of molds and production. Additionally, the company enhances cross-strait teamwork, promotes resource integration, and maximizes effectiveness.

(C) Based on the key element in the international supply chain system

To control quality and reputation, international brand manufacturers have always strongly led products, from development and design, material selection, components planning, production, and manufacturing, to distribution and sales. Due to the current globalized professional teamwork, all companies entering the supply chain are requested to meet the best efficiency standards and invest in sufficient equipment capacity to cooperate. Therefore, the manufacturer which has accumulated good cooperative relations and reliability will obtain the most favorable position, and then establish an important relationship of stability and reliability.

(D) The ability to significantly shorten the production cycle to respond to the trend of rapid competition

In response to the rapid demands of global consumers for new products and the continuous challenges of competitors' new products, the design, mass production, distribution, and marketing which take 6 to 12 months for a new pair of sneakers in the past is no longer aligned with the market. This situation means that only professional manufacturers with a high degree of computerization, automation, and substantial experience and technology could undertake at least 1/2 shorter delivery than in the past and can maintain high-quality output.

(E) The teamwork integrated mode of designing in Taiwan and producing overseas

Taiwan has strong technical advantages in product design and mold development in the front-end process of footwear manufacturing. With this competitive advantage, Taiwan has developed a separate direction from China and Southeast Asia in recent years. Countries such as China and Southeast Asia, which have the advantages of relatively low land and labor cost, attract most downstream, system operators, and midstream, injection processing factories, to move their production lines to these regions, leading to an excellent model of teamwork which develop, design, and service in Taiwan, massively produce overseas and enhance Taiwan's OEM status around the globe. The Company cultivates talents with excellent management and technology to enhance competitiveness.

(F) Take advantage of the economic scale to achieve the competences of reducing cost

With the shortening of the production cycle, and after consumers' consciousness about the quick replacement of the new product, meanwhile, due to the impact of the economic depression, the sales of the expensive sneaker have declined. Under the premise of being unwilling to reduce profit, the company turns to asking suppliers to cut prices. Therefore, seeking production capacity with an economic scale and sharing more management and sales costs have become the way for suppliers to survive and compete.

(2) Compound material business department

- (A) Modularize the development and manufacturing of the single product, in addition to holding the market share and improving product profitability.
- (B) Integrate technological innovation and possess comprehensive technical service capabilities, which equip more competitive advantages.
- (C) In response to the diversification of customers, the special processing of materials, and the demand for injection products, the company provides vertically integrated services from mold design, injection molding, and post-processing of finished products.
- (D) The demand for products with special specifications will increase. Through diverse and customized product development, the company will strive for market competitive advantages.
- (E) Develop lightweight alternative materials and the application of eco-friendly recycled materials, aligned with market new trends.

(F) Develop unique or patented high-value alternative materials, add the advantage of a simplified manufacturing process, and develop new markets.

(G) In response to the trend of global plastic restriction, the company conducts diversified research and development in biodegradable eco-friendly tableware materials to seize the international high-value market.

(H) Providing a complete PCR recycled plastic solution, the Company could provide services from raw materials, modification, color matching and plastic processing.

3. Overview of technology and research and development:

1. The invested research and development expense

Unit: NT\$ thousands

| Item \ Year | 2021 | 2022 |
|-------------|--------|--------|
| | | |
| R&D Expense | 21,272 | 17,899 |

Data resource: Financial report verified by CPA in recent two years.

1. Successfully developed technology or commodity

| Year | Product | Development | Counseling unit |
|------|---|--|--|
| 1999 | Development of polyamide or Continuous Mixing Process for EVA | Improve the foaming degree of ultra-light compound materials, so that the density after foaming is less than 0.34g/cm ² , and can increase the durability (up to 150mm, DIN535-16). | Plastics Industry Development Center Independent research and development |
| 1999 | Advanced development technology of Elastomer polarization | Evaluation of SEBS, the proportion of grafting achieved 1% wt to increase its reactivity and improve the adhesive strength or intermolecular force. | Plastics Industry Development Center |
| 1999 | Light weighting of thermoplastic polyurethane (TPU) | Maintain stability at high temperatures, reduce the density from 1.2g/cm ³ to 0.6~0.82g/cm ³ and maintain the original physical properties. | Plastics Industry Development Center |
| 2005 | The processing and application of comfortable material | Applied for the outsole of soccer boots of NIKE and entered the promotion period in October 2005. | Independent research and development |

| Year | Product | Development | Counseling unit |
|------|--|--|--------------------------------------|
| 2005 | fastener components interior part compound material for automobile | The company mainly aligns with the lightweight trend of the automobile and motorcycle industry in the future. The developed compound materials have the characteristics of high rigidity, high fluidity, high impact, and recyclability. This not only improves the safety factor of the original plastic, reduces future energy consumption but also contributes to environmental protection. | Independent research and development |
| 2007 | Compound design of outsole studs | The outsole of NIKE football shoes has a hybrid high-efficiency design of shoe spikes and shoe studs, which can prolong the useful life and reduce the consumption of earth resources, which aligns with environmental protection benefits. | Independent research and development |
| 2007 | High-functional eco-friendly compound material | Applied for the industry of sport and casual products in August 2007. | Independent research and development |
| 2008 | high rigidity, high intensity nylon compound material | Apply for electronic device components. | Independent research and development |
| 2010 | Recyclable green eco-friendly compound material | Apply for office equipment. | Independent research and development |
| 2010 | Recyclable green eco-friendly compound material | Apply for 3C products. | Independent research and development |
| 2011 | Development of nylon hydrolytic compound | For the problem of degradation of nylon after absorbing moisture, the Company conducts the development of compound materials to improve the advantages of high mechanical strength, high dimensional stability, and resistance to high temperature and high humidity environments. It could be applied to radiator tanks, etc. in the automobile radiator parts market. | Independent research and development |
| 2011 | Eco-friendly non Halogen Free flame retardant TPU material | Applied for solar PV wire insulation material. | Independent research and development |

| Year | Product | Development | Counseling unit |
|------|---|--|--------------------------------------|
| 2011 | Halogen Free flame retardant TPU material | Development of TPU Halogen Free flame retardant material UL-94 1/16" V-O completed | Independent research and development |
| 2011 | Heat resistant PLA biomass material | Apply for food container. | Independent research and development |
| 2011 | Recyclable eco-friendly compound material | Apply for daily necessities. | Independent research and development |
| 2012 | Plastic Oropharyngeal Airway Guide for Emergency Intubation | Medical equipment. | Plastics Industry Development Center |
| 2012 | Eco-friendly wood-plastic material | Wood-plastic building material. | Plastics Industry Development Center |
| 2013 | high rigidity nylon compound material | Electronic tool material | Independent development |
| 2013 | Heat resistant nylon compound material | Electrical connector material. | Independent development |
| 2014 | low float fiber nylon compound material | Applied for the case of headlight material. | Independent development |
| 2014 | Development of advanced nylon water-resistant compound material | Integrate specifications to seize the market share of automobile radiator parts | Independent development |
| 2015 | Nylon mineral fiber compound material | Electroplatable material for car headlight housing. | Independent development |
| 2015 | Advanced heat resistant biodegradable material | Disposable heat resistant tableware material | Independent development |
| 2016 | Recycled PET development plan | Useable in various parts of shoes. | Independent development |
| 2016 | Development of weather resistance TPU | Wearable device | Independent development |

| Year | Product | Development | Counseling unit |
|------|---|--|--------------------------------------|
| 2017 | Development of electroplatable high specific gravity plastic | Bathroom accessories | Independent development |
| 2017 | Development plan of eco-friendly utensils with recycled bamboo and wheat powder. | Tableware (knife, fork, spoon) | Independent development |
| 2018 | Development of high density polypropylene | Cosmetic box | Independent development |
| 2018 | Development of shell pattern material. | Cosmetic box | Independent development |
| 2018 | Conductive PC carrier tape | Tray | Independent development |
| 2019 | Development of weather resistance eco-friendly PP | The case of motorcycles. | Cooperate with customers development |
| 2019 | Development of low moisture absorption nylon grill | low moisture absorption nylon 66 grill for the truck. | Customer's development |
| 2020 | Seat of light rail in USA standard | Must comply with fireworks safety regulations. | Customer's development |
| 2020 | Development of extruded compound material for luggage board with infrared resistance. | Extruded PC/PBT compound material with infrared resistance for luggage board. | Customer's development |
| 2021 | High-end nylon-ppa poly-phenylene amide. | Flame-retardant Nylon 9T/10T reinforced with fiber for connectors and capacitor bases. | Independent development |
| 2021 | Biomass material PA56 and PCR certified eco-friendly material | Introduce original material in response to net zero emission in the future. | Independent development |

| Year | Product | Development | Counseling unit |
|------|--|--|------------------------|
| 2022 | Wafer transport carrier | HDPE+ CNT (Carbon nanotubes) | Customer's development |
| 2022 | Biodegradable eco-friendly container made from sugarcane bagasse | PLA-free, eco-friendly biodegradable container | Customer's development |

4. Long-term and short-term business development plan:

(1) Short-term:

A. Business:

- a. Strengthen the business development function of the enterprise, actively develop new customers, and spread business risks.
- b. Provide comprehensive technical and service capabilities to maintain the company's existing competitiveness.
- c. Strengthen customer relationship management and provide differentiated product and service value.
- d. Establish a strong cross-departmental business team for the business, research and development, and quality assurance, actively striving for business opportunities for strategic alliances.

B. Product research and development:

- a. Recycled modified PET eco-friendly material.
- b. weather resistance TPU material.
- c. Metalloids high-density plastic materials.
- d. Biodegradable eco-friendly tableware material.
- e. High specification engineering plastic material.

C. Production:

- a. Improve process quality and increase yield.
- b. Strengthen the production and sales cooperation mechanism to ensure meeting the quality and delivery requirements of customers.
- c. Improve the quality of personnel, reduce the turnover rate, and maintain the technical experience.

d. Introduce robotic arms to improve production capacity and quality stability.

D. Operation Planning:

a. Strengthen the teamwork with overseas factories, promote the integration of resources, and use the overall capabilities of the group to maximize its effectiveness.

b. Use core technical capabilities to develop overall business strategies.

c. Establish an international ERP and e-commerce system to effectively manage the operating performance of overseas bases.

d. Cultivate R&D, technology, business professional, and management talents to improve operational performance.

(2) Long-term:

A. Business:

a. Analyze products' international fashion trends, develop new products or extended products, and arrange multiple marketing channels layout.

b. Construct a global logistics and teamwork integration system to establish a more stable marketing channel.

c. Improve business development capabilities and move toward profession and internationalization.

d. Strategic alliance with customers to develop niche markets and establish a marketing system.

e. Actively contact various types of brands, and expand the business scope, including trade business model.

B. Research and development:

a. Develop eco-friendly and recyclable plastic materials, reduce plastic incineration, save energy and reduce carbon.

b. Development of wearable weather resistance and anti-sensitivity plastic materials.

c. Development of metalloids high-density plastic series products.

C. Production:

a. Cooperate with the company's marketing goals and technology development and introduce the latest production management technology.

b. Continuously improve the production process, increase the yield rate, reduce internal costs, and create profits.

c. Use the external resources of industry, government, and academia to learn product innovation and the latest technology in the world.

d. Introduce production technology from other industries and apply it to existing products to increase value.

e. Gradually upgrade automatic production technology and equipment.

D. Operation Planning:

a. Cooperate with the company's long-term and short-term planning, take advantage of the capital market to raise funds, and attract more funds and talents to achieve the company's sustainable operation goal.

b. Integrate the company's resources, strengthen the layout of the global production and sales capabilities of each business division, and expand the company's operations and niche scale.

c. Strengthen core technical capabilities, integrate upstream and downstream key technologies, enter the supply chain of well-known brands, and establish competitiveness.

d. Assess the feasibility of investing in future trend industries, such as energy, environmental protection, and regeneration industries.

2. Market and Production and Sales Overview

2.1 Market Overview

1. Sales (Service) Region

Unit: NT\$ thousands

| Year | | 2020 | | 2021 | | 2022 | |
|----------------|----------|-----------------|--------|-----------------|--------|-----------------|--------|
| Region | | Amount of Sales | % | Amount of Sales | % | Amount of Sales | % |
| Domestic Sales | | 681,241 | 64.26 | 610,631 | 44.27 | 466,176 | 43.18 |
| Export Sales | Asia | 201,666 | 19.02 | 343,253 | 24.89 | 514,677 | 47.67 |
| | America | 0 | 0.00 | 238,504 | 17.29 | 98,252 | 9.10 |
| | Others | 177,187 | 16.72 | 186,815 | 13.55 | 572 | 0.05 |
| | Subtotal | 378,853 | 35.74 | 768,572 | 55.73 | 613,501 | 56.82 |
| Total | | 1,060,094 | 100.00 | 1,379,203 | 100.00 | 1,079,677 | 100.00 |

2. Market Share

(1) Equipment business department

The company is one of the few domestic professional factories that could integrate plastic materials, design and development, mold manufacturing, and injection molding. It is the designated manufacturer of NIKE high-functional spike outsole components. Additionally, the Company passed the factory inspection and certification of Under Armour and CROCS, becoming the main global production base of many brands.

(2) Compound material business department

Combined with market trends, the company develops customized r-PET, eco-friendly recycled materials, fireproof materials, automobile materials, and 3C electronic materials, as well as self-developed electroplatable metalloids patented materials to expand its competitiveness among peers. In addition to the Taiwan factory in the global layout, it also includes setting up factories in China and Vietnam to strive for the domestic demand market of the red supply chain, Regional Comprehensive Economic Partnership(RECP), and Comprehensive and Progressive Agreement for Trans-Pacific Partnership(CPTPP) economies, rapidly expanding the global overseas market.

3. The future supply and demand situation and growth of the market

(1) Equipment business department

- (A) Over the past 30 years, with its precision mold development technology and professional production capacity, Pontex has become an important production base in Asia for high-functional spike outsoles of Nike and shoe injection of CROCS.
- (B) Pontex has created the greatest competitiveness for a long time with its leading technology advantages in the industry and the production process that passed the ISO9001 quality management standard. Whether it is the factory in Taiwan, China, or Vietnam, every product is guaranteed with the great commitment of Pontex to provide the highest quality service.
- (C) After the Vietnam factory joined, Pontex's engineering compound material molding capabilities of controlling the elastomers and non-elastomers compound materials, and the capabilities of developing 3D molds and system manufacturing, the multi-point market supply chain can meet the different needs of each brand and assist the brand to establish automatic process technology, introducing popular materials and trend analysis, adding value to shoe design, and increasing the added value of shoes.
- (D) Assist the industry in the continuous development of new shapes and innovative designs to meet a small number but diverse consumption patterns. Shorten the design and process of shoe proofing, make efficient production, rationalize the process, and automated equipment to reduce costs, shorten the development time of shoe proofing, and increase brand profits.

- (E) Cooperate with the company's self-developed compound materials (high specification materials, green r-PET materials), and provide footwear customers with more material application options, reduce costs, and provide more ideas to attract the market.
- (F) In Vietnam and China, the company produces a variety of casual shoes that are sold worldwide for CROCS as an OEM factory and has become a major manufacturer in Asia.
- (G) In response to the emergence of China brands, Pontex has successfully won orders from Anta, Xtep, and 361sport for mass production.
- (H) With the vigorous development of cycling around the globe, cycling shoes have become an important new footwear product. In addition to the major production of professional sneakers outsole, the company also cooperates with PFI Shoe Factory in China to develop clipless road bike outsoles for the Italian bicycle brand, Fi'zi:k, and produce bicycle shoe outsoles for Northwave, which are sold all over the world to provide more high-quality product choices to cycling enthusiasts.

(2) Compound material business department

The company's R&D center will continue to devote itself to the modification of compound materials and the recycling and reuse of raw materials to enhance compound material technology and mass production capacity. Furthermore, the Company would become a professional green material R&D center and professional supplier of green materials in Asia, and continue towards "energy-saving", "resource-saving", "avoiding harmful substances", "recycling and reuse", and "energy saving and carbon reduction".

Compound materials are widely used in automobiles, boats, building materials, electronic, electrical, sports and leisure, and industrial and public engineering materials due to their superior properties such as lightweight, high strength, high degree of freedom in design, and weather resistance and corrosion resistance. Globally, the consumption of engineering plastics is rough as follows: automobiles and other industries account for 40%, agriculture and tool machinery account for 30%, daily necessities account for 20% and electrical and electronic products account for about 10%. With the demand for engineering plastic compound materials and the improvement of compound material technology, the human's pursuit of light, thin, and short has replaced the use of many traditional metals. Additionally, the compound material could be recycled and eco-friendly. The industry requires its upstream suppliers actively research and develop eco-friendly materials, which will drive engineering plastic manufacturers to actively invest in R&D, production, and supply. The flourishing development of the electronics industry in recent years drives the business opportunities of computer replacement. The demand for electronic application plastics will continue to grow. Additionally, the Asian automobile and motorcycle market is estimated to grow, which causes an increased demand for automotive plastic materials. Due to the continuous expansion of China market, the engineering plastics market growth is expected in the future. In recent years, in response to the increasing demand for eco-friendly materials, and the need to submit relevant recycling certifications to meet business development goals, The company has applied for the Global Recycling Standards (GRS) verification and counseling. The company obtained the Global Recycling Standards (GRS) certificate in October 2020. Additionally, 9 products were certificated for Post-Consumer Resin (PCR) in December 2020. Furthermore, 2 new products passed PCR certification in 2022.

4. Competitiveness

| Business Unit | Competitiveness |
|---------------------------------------|--|
| Equipment business department | 1. The liability of long-term cooperation with international well-known factories. |
| | 2. Complete the automatic production of manufacturing equipment and fast supply capabilities. |
| | 3. Comprehensive factory from the design to material compounding, precision mold making, and injection assembly. |
| | 4. Effective cost management to control the economy scale. |
| Compound material business department | 1. Equip with the ability to develop functional plastic compound materials, which is one of the core technologies of Pontex. |
| | 2. Equip with the ability to assist customers in improving and solving problems in processing and mold development. |
| | 3. The color matching and secondary processing ability of engineering plastics are strong, and the speed and quality are better than the company in the same industry. |
| | 4. Combine the company's internal and external system resources to provide customers with more diverse added value and enhance customers' market competitiveness. |

5. Favorable and Unfavorable Factors in the Long Term:

(1) Favorable factors in SWOT analysis:

(A) Opportunity

- a. The development of the global sports industry continues to grow year by year regardless of prosperity.
- b. The flourishing development of China's sports industry will help the growth of international brands and well-known Chinese brands.
- c. Close cooperation between industry and academia. The mature production technology in the domestic industry has won the trust of foreign customers.
- d. Early deployment of the Vietnam factory to obtain cooperation opportunities with international customers.
- e. The trends of compound plastic products focusing on environmental protection and being green.
- f. Possess a good R&D team and production capacity.

g. VietNam Pontex equipment and compound materials have developed rapidly, striving for regional economic advantages such as CPTPP in the future.

(B)Threat

- a. The domestic and foreign overall industrial technology continuously improves, and more competitors who want to invest increase.
- b. The production continues to move abroad, and foreign management risks are relatively higher.
- c. Equipment customers continue to move out. The nearby supply is gradually becoming a trend.
- d. The higher the quality requirements of compound materials, the faster the research and development must be.
- e. The price of oil and raw materials fluctuated violently, and the profits were squeezed.
- f. Due to the low-price competition in the industry, the move out downstream is becoming more common.

(C)Strength

- a. Professional technology has been recognized internationally.
- b. Equip with the capability of comprehensive vertical integration.
- c. Equip with the capability of engineering plastic materials, mold, and injection processing, and develop vertical integration capabilities.
- d. Injection technology and raw material color-matching technology are the best in the industry and are recognized by customers.
- e. The service system and initiative are excellent. The response and speed to solve problems are flexible.
- f. All relevant internal technologies could be supported mutually which solves problems efficiently.
- g. The equipment and compound materials could be produced by factories in China and Vietnam in the future to directly serve domestic demand in China and the international market.

(D)Weakness

- a. Major international brands are mutually exclusive; therefore, it is difficult to strive for orders simultaneously.
- b. Excessive reliance on a small number of major customers but an insufficient number of major customers.
- c. Insufficient innovation capability. The capability and experience of the R&D/Sales team need to be strengthened.

d. Raw material prices continue to make new highs which reduces the profits.

(2) The coping strategy against unfavorable factors:

(A) Equipment business department:

- a. Continuously improve service quality and efficiency to strengthen customer stability.
- b. Continuously improve the added value of the new product and material development to strengthen the customers' dependency on the Company.
- c. Strengthen the management of the raw material. Quickly grasp price fluctuations and strive for the most favorable cost.
- d. Use injection technology to develop new products and business opportunities in related industries.
- e. Introduce automatic equipment such as robotic arms to improve delivery capabilities and competitiveness.
- f. Introduce external information and resources to strengthen the personnel with professional technology.

(B) Compound material business department:

- a. Collect the information and technologies which are popular in the market. Align with the trend of the future market, invest in research and development of the materials of future trend, and seize the market:
- (a) Green eco-friendly materials: recyclable ABS, PET, 3C eco-friendly electronic packaging materials, biodegradable materials, food packaging materials, electric equipment packaging materials.....etc.
- (b) Develop high thermal conductivity materials to meet the demand of heat conduction plastic materials of LEDs, computer CPUs, automobiles, or other mechanical equipment to replace metals.
- (c) Develop high rigidity, high heat resistance NB tablet case to respond to the thinner case market.
- b. Research and develop high-tech, high-standard, patented products, and gradually eliminate low-tech and unprofitable products.

- c. Strengthen the ability to produce customized products and provide suitable products with appropriate quality and quantity in time to win the trust of customers, consolidate the source of customers, and obtain profits.
- d. Combine suppliers, strategic alliances manufacturers in the same industry, and downstream customers to do vertical integration to provide comprehensive services, develop new customers to increase revenue, and create higher added value.
- e. Take advantage of Vietnam Pontex's competition conditions which meet the requirement of CPTPP preferential tariff and attract international customers for cooperation.

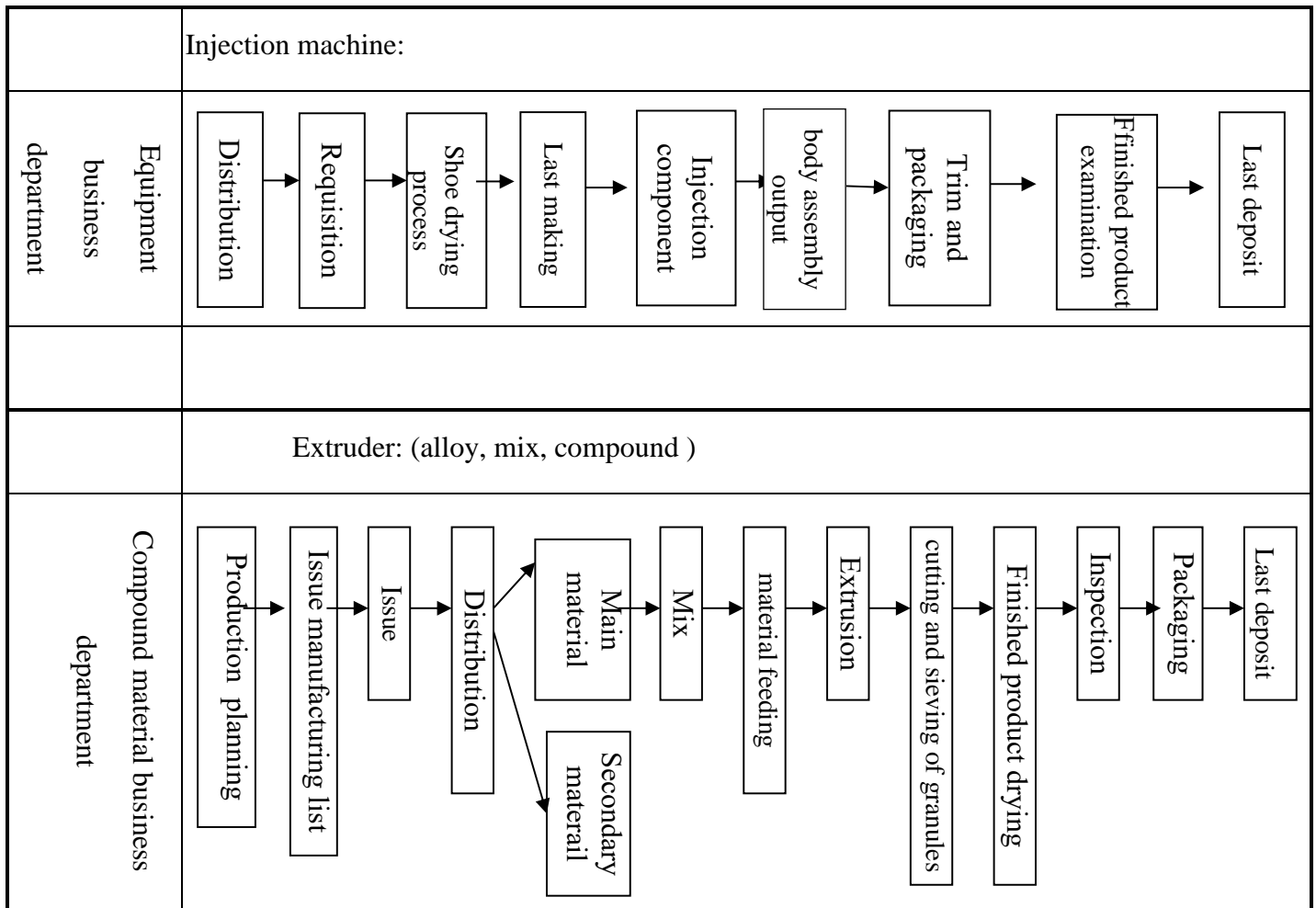
2. Major Products and Their Production Processes

(1) Major Products and Their Main Uses

| Major Product | Important Uses |
|---------------------------------------|---|
| Equipment business department | All kinds of sports equipment component injection and casual shoe injection produced by the company are multi-color, multi-material, high-functioning, and high intensity products, which are provided for downstream system assembly plants to assemble. |
| Compound material business department | <p>The PC series is used to manufacture domestic appliances, automobile components, medical equipment, communication equipment and other components, and electronic products. The PA series is suitable for agricultural machinery components, connectors, hand tools, electrical appliances, electric tools, radiators, automobile lampshades, etc. The PP series is suitable for the manufacture of automobile interior and exterior components, machine tool components, and automobile door panels. The PC-ABS series can be used for the manufacture of camera cases, toys, automobile dashboards, splitters, and other information products.</p> <p>The PLA series is suitable for BB shots, packaging materials, tableware, daily necessities, and other eco-friendly consumables.</p> |

(2) The manufacturing process of major products:

Equipment business department, compound material business department



3. Supply Status of Main Materials

Equipment injection components and engineering plastic compound materials

| Major Raw Material | Source of Supply | Supply Situation |
|--------------------|---|------------------|
| PEBAX | ARKEMA | Normal |
| TPU | GRECO / WGJ / Covestro / Sunko | Normal |
| PP | FCFC/Xingu/Green Wealth/Chunyi /Chengken/Huaiji/ Horng Gee Co./AAIT/TOMYS/Yaosheng/Minying/Hewei/SHENG-BAO | Normal |

| | | |
|--------|--|--------|
| PC, PS | CHIMEI / FIPC / Yangkings / FCFC /Zhanxin/ Megaextra / Haiping | Normal |
| NYLON | Li Peng /Hourong/ GPPC / GOLDPOLY / Changcherng / CPDC /Chengken/Jinlong/ MASSCHIP /Yisheng/ SHENG YU/ Yangkings / Golden Klean / CHIN JIH / De Geng | Normal |
| ABS | CHIMEI /Hongsheng/ Green Wealth /Zhanxin | Normal |
| BaSO4 | Nanfeng/World Chem/Shanghai Hanerpu /Huadong | Normal |

4. A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the following figures.

1. The main supplier information in the recent two years and up to the publication date of the annual report:

| | 2021 | | | | 2022 | | | |
|------|--------------------|-----------|---------------|----------------------|--------------------|---------|---------------|----------------------|
| Item | Company Name | Amount | Percent [%] | Relation with Issuer | Company Name | Amount | Percent [%] | Relation with Issuer |
| 1 | | | | | Yankings | 78,280 | 10.58 | None |
| | | | | | | | | |
| | Others | 1,054,067 | 100.00 | | Others | 661,266 | 89.42 | |
| | Net Total Supplies | 1,054,067 | 100.00 | | Net Total Supplies | 739,546 | 100.00 | |

Note1: A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures. Where the company is prohibited by contract from revealing the name of a client, or where a trading counterpart is an individual person who is not a related party, it may use a code in place of the actual name.

Note2: Up to the date of publication of the annual report, if a company that is listed or whose shares have been traded in a Securities Trading on the Taipei Exchange has the latest financial information that has been audited, certified, or reviewed by CPA, it shall also disclose it.

When the Company chooses the source of purchase, in addition to considering the price, the technical capabilities, product quality, production capacity, and delivery cooperation of the suppliers are all the company's considerations. In addition to the political suppliers, the Company continues to decentralize procurement sources to reduce production costs and procurement risks.

The decrease in purchases in 2022 compared to 2021 was mainly due to the reduction in company orders which lead to a decrease in material preparation.

The list of major customers in recent two years and up to the date of publication of the annual report:

| | 2021 | | | | 2022 | | | |
|------|--------------------|-----------|---------|--------------------|--------------------|-----------|---------|--------------------|
| Item | Customer | Amount | Percent | Relation to Pontex | Customer | Amount | Percent | Relation to Pontex |
| 1 | ECOTECH | 238,504 | 17.29 | None | Co-Action | 146,269 | 13.55 | None |
| 2 | Co-Action | 196,189 | 14.23 | None | GREEN | 119,692 | 11.08 | None |
| | Others | 944,510 | 68.48 | | Others | 813,716 | 75.37 | |
| | Net Total Supplies | 1,379,203 | 100.00 | | Net Total Supplies | 1,079,677 | 100.00 | |

Note1: Setting forth the names of any clients that have sold 10 percent or more of the company's sales in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such sales as a percentage of total sales, and explaining the reason for any change in the amount; provided however, that Where the company is prohibited by contract from revealing the name of a trading counterpart, or where a trading counterpart is an individual person who is not a related party, a code may be used in place of such trading counterpart's actual name.

Note2: Up to the date of publication of the annual report, if a company that is listed or whose shares have been traded in a Securities Trading on the Taipei Exchange has the latest financial information that has been audited, certified, or reviewed by CPA, it shall also disclose it.

The Company's customers are dispersed and stable. Pontex could maintain a good cooperative relationship with customers, strive to deepen the core technology and develop new products and new markets to reduce the risk of customer concentration.

Compared with 2022, the proportion of ratio of net sales in 2021 increased, mainly due to the increase in orders for CROCS soles.

5. Production in the Last Two Years:

Unit: thousands/ton/NT\$ thousands

| Year Output Major Products (or by department) | 2021 | | | 2022 | | |
|--|----------|----------|---------|----------|----------|---------|
| | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Equipment injection component | 48,000 | 12,321 | 183,425 | 48,000 | 13,695 | 190,036 |
| Compound material/ultra-light compound material | 32,640 | 17,386 | 769,980 | 32,640 | 11,946 | 565,423 |
| Total | 80,640 | 29,707 | 953,405 | 80,640 | 25,641 | 755,459 |

6. Shipments and Sales in the Last Two Years

Unit: thousands/ton/NT\$ thousands

| Year Shipment & Sales Major Products (or by department) | 2021 | | | | 2022 | | | |
|---|----------|---------|----------|---------|----------|---------|----------|---------|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Equipment injection component | 14 | 999 | 16,460 | 242,654 | - | - | 15,612 | 278,675 |
| Compound material/ultra-light compound material | 8,519 | 609,632 | 3,688 | 525,918 | 7,452 | 466,176 | 9,417 | 334,826 |
| Total | 8,533 | 610,631 | 20,148 | 768,572 | 7,452 | 466,176 | 25,029 | 613,501 |

3. The Number of Employees Employed For The 2 Most Recent Fiscal Years, and During the Current Fiscal Year up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels:

The employee's information up to the publication date of annual report in recent two years.

(Headquarter) Pontex Polyblend Co., Ltd.

| Year | | 2021 | 2022 | Data as of ending data in 31, March 2023 |
|--------------------------|------------------------------------|--------|--------|--|
| Number of employees | Administrative personnel | 54 | 50 | 52 |
| | Research and development personnel | 6 | 7 | 7 |
| | Manufacturing personnel | 24 | 29 | 27 |
| | Total | 84 | 86 | 86 |
| Average age | | 40.80 | 40.18 | 40.48 |
| Average years of service | | 10.53 | 10.10 | 10.24 |
| Education | Ph.D. | 0.00% | 0.00% | 0.00% |
| | Masters | 4.76% | 5.81% | 5.81% |
| | Bachelor's degree | 53.57% | 50.00% | 51.16% |
| | Senior high school | 39.29% | 41.86% | 40.70% |
| | Below Senior High School | 2.38% | 2.33% | 2.33% |

(Pontex(Q.Y) Polyblend Co., Ltd.)

| Year | | 2021 | 2022 | Data as of ending data in 31, March 2023 |
|--------------------------|------------------------------------|-------|-------|--|
| Number of employees | Administrative personnel | 35 | 34 | 34 |
| | Research and development personnel | 0 | 0 | 0 |
| | Manufacturing personnel | 30 | 44 | 41 |
| | Total | 65 | 78 | 75 |
| Average age | | 38.15 | 37.67 | 37.28 |
| Average years of service | | 1.86 | 2.24 | 2.51 |

| | | | | |
|-----------|--------------------------|--------|--------|--------|
| Education | Ph.D. | 0.00% | 0.00% | 0.00% |
| | Masters | 0.00% | 0.00% | 0.00% |
| | Bachelor's degree | 23.08% | 19.23% | 21.33% |
| | Senior high school | 20.00% | 16.67% | 17.33% |
| | Below senior high school | 56.92% | 64.10% | 61.34% |

(VietNam Pontex Polyblend Co., Ltd.)

| Year | | 2021 | 2022 | Data as of ending data in 31, March 2023 |
|--------------------------|------------------------------------|--------|--------|--|
| Number of employees | Administrative personnel | 15 | 14 | 14 |
| | Research and development personnel | 0 | 0 | 0 |
| | Manufacturing personnel | 62 | 126 | 102 |
| | Total | 77 | 140 | 116 |
| Average age | | 29.82 | 28.61 | 29.12 |
| Average years of service | | 1.78 | 1.38 | 1.74 |
| Education | Ph.D. | 0.00% | 0.00% | 0.00% |
| | Masters | 0.00% | 0.00% | 0.00% |
| | Bachelor's degree | 7.79% | 2.14% | 2.59% |
| | Senior high school | 18.18% | 29.29% | 30.17% |
| | Below senior high school | 74.03% | 68.57% | 67.24% |

4. Environmental Protection Expenditure

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution (including compensation and results of environmental protection inspections for violations of environmental regulations, the disposition date, disposition number, violated regulation articles, contents of violated regulation, and contents of disposition shall be specified.) The disclose of an estimated possible expenses that could be incurred currently and, in the future, and measures being or to be taken shall be disclosed. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Environmental Protection Bureau of Taichung City Government conducted a routine inspection in June 2020, determining that the content of the Company's manual on the impact on the original environment was partially inconsistent with the current situation of the factory. The minimum penalty was NT\$300,000. The Company signed a contract on 15 December 2020 to entrust Dali Environmental Technology Co., Ltd. to handle the application for modification of the environmental impact assessment. The contract amount is NT\$3.5 million (before tax). The Environmental Protection Bureau of Taichung City Government held an initial review meeting of the task force on 15 December 2021. To meet the needs of the minutes of the initial review meeting, the Company signed another contract in February 2022 and commissioned Hongyi Engineering Consultants Co., Ltd. to re-apply the water conservation plan. The contract amount was NT\$1.1 million (before tax). Then according to the

disclosure requirements in the soil and water conservation plan, in July of 2022, the Company commissioned DK engineering development for geological exploration in a sensitive area. The contract amount was NT\$830,000 (excluding taxes).

After the second preliminary review meeting of the task force convened by the Environmental Protection Bureau of Taichung City Government on 18 January 2023, the data correction should be completed before 18 April 2023 according to the meeting minutes for The modification of the environmental impact assessment application. As of the date of publication of the annual report, the review results from the authority were still pending. If there are additional expenditures for improvement, they shall be listed according to the actual situation.

5. Labor Relations:

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

(1) Employee Welfare

The Company budgets a detailed welfare every year. In addition to the labor insurance and health insurance by law, Group personal accident insurance, overseas travel insurance, etc. are added. Furthermore, the Company also provides uniforms, meal subsidies, regular physical examinations, free parking spaces, etc. Additionally, the Company established an employee welfare committee. The company allocates employee welfare funds to handle various employee welfare affairs. The affairs handled by the committee include weddings, funerals, celebrations, injuries, illnesses and childbirth, emergency assistance, travel, birthday celebrations, Labor Day, the year-end banquet of the Mid-Autumn Festival, recognition of model employees and employees with certain service years, cultural and recreational activities and other welfares.

(2) Employee continuing education and training

To improve the quality of colleagues, the constitution of the company, work efficiency and quality, etc., the Company has formulated the "Regulations of education and training management". The education and training are led by the human resources, who are responsible for compiling various education and training needs and policies of all departments of the company and assisting in the implementation of internal or external education and training.

(Headquarter) Pontex Polyblend Co., Ltd. employee continuing education and training

Employee continuing education and training

| Item | Number of classes | Number of people | Total hours | Total expense (NT\$) |
|-------------------------------------|-------------------|------------------|-------------|----------------------|
| 1. Rookie training | 9 | 11 | 43 | 0 |
| 2. Professional competency training | 38 | 96 | 432 | 34,600 |
| 3. Self-inspiration training | 0 | 0 | 0 | 0 |
| Total | 47 | 107 | 475 | 34,600 |

Subsidiary Pontex(Q.Y) Polyblend Co., Ltd. employee continuing education and training

Employee continuing education and training

| Item | Number of classes | Number of people | Total hours | Total expense (CNY) |
|-------------------------------------|-------------------|------------------|-------------|---------------------|
| 1. Rookie training | 0 | 0 | 0 | 0 |
| 2. Professional competency training | 3 | 116 | 348 | 0 |
| 3. Self-inspiration training | 0 | 0 | 0 | 0 |
| Total | 3 | 116 | 348 | 0 |

Subsidiary VietNam Pontex Polyblend Co., Ltd. employee continuing education and training

Employee continuing education and training

| Item | Number of classes | Number of people | Total hours | Total expense (VND) |
|-------------------------------------|-------------------|------------------|-------------|---------------------|
| 1. Rookie training | 0 | 0 | 0 | 0 |
| 2. Professional competency training | 0 | 0 | 0 | 0 |
| 3. Self-inspiration training | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

(3) Retirement system and implementation

Since the implementation of the "Labor Pension Act" on 1 July 2005, for employees who are covered by the retirement mechanism in the Labor Standards Act and reserve their seniority prior to the application of the Act. The employee retirement management measures were formulated according to the Labor Standards Act, and the approved establishment of the Supervisory Committee of Business Entities' Labor Retirement Reserve is to supervise retirement reserve related matters. And since January 1993, the retirement reserve fund has been allocated according to the law and stored in the individual account of the Trust Department of the Bank of Taiwan. For employees who meet the retirement requirements, the Company provides retirement pensions according to the working years and the basis formulated by the Labor Standards Act. Additionally, since 1 July 2005, for the employees who chose the new system of retirement pension and the employees who worked after 1 July 2005, the Company refers to the standard, "Monthly Contribution Classification of Labor Pension", that not lower than 6% of the employee's salary is insured and paid to the employee's personal retirement account monthly.

(4) Labor-management circumstance

The Company usually puts great emphasis on the handling of various welfare for employees, regards employees as shareholders of the company, and emphasizes bilateral communication with employees, therefore, the labor-management relationship is harmonious. The Company fully respects the opinions of the employees. If anything is needed communication could be resolved through coordination. The labor management is in good condition.

(5) Measures related to the protection of employees' rights and interests

The Company holds regular labor-management meetings by the law and settles an employee suggestion box. The human resource unit is responsible for handling the suggestions of employees.

2. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes and disclose an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken: None.

(1) The Company has always put great emphasis on labor relationships. If anything is needed communication could be resolved through coordination. Therefore, no major labor disputes have occurred, and no losses have been suffered.

(2) The estimated losses that might occur at present and in the future and the countermeasures:

The company will fully abide by Labor Standards Act and strengthen welfare at present and in the future and establish interactive communication and complaint management. The company's labor-management relationship has always been rational and harmonious. There have been no major labor disputes and losses in recent years. It is estimated that the possibility of major labor disputes in the future is extremely small.

6. Cyber Security Management:

Cyber security risk management

1. The company has settled an information department, with one dedicated officer and one dedicated personnel, who are responsible for information security control and maintaining the normal operation of the company's information system.

2. The doors and cabinets of the computer room of the Company are locked and controlled. General personnel is not allowed to enter at will. The computer room is equipped with HVAC (Heating, Ventilation, and Air Conditioning) System and is regularly inspected in the fire prevention and waterproof safety facilities.

3. The company has established a complete firewall, anti-virus software, and spam filtering system. The legally authorized software is installed on all the computers. Employees are strictly prohibited from downloading illegal software without permission. The information personnel will regularly conduct the inspections.

4. The company has a complete backup mechanism for important data. Employees need to enter personal accounts and passwords to log in when using computers. The authority of the ERP system is set up according to their job duties to control data access and modification.

5. Information personnel attend information training courses irregularly every year and promote cybersecurity awareness messages on the latest viruses and other security issues from time to time.

7. Important Contracts

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|--------------------------|-----------------------|--|--|--------------|
| Margin purchase contract | First Commercial Bank | 1. From 8 October 2022 to 8 October 2023. 2. From 28 December 2018 to 28 December 2025. | 1. Short-term comprehensive financing Facility NT\$400 million. 2. Medium-term NT\$ loan limit NT\$400 million The entire project is pledged by setting a mortgage on the land and factory building. | None |

VI. Financial information

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Past 5 Fiscal Years, Showing the Name of the Certified Public Accountant and the Auditor's Opinion Given Thereby

(1) Condensed balance sheet and statement of comprehensive income

Consolidated condensed balance sheet

Unit: NT\$ thousands

| <div style="display: flex; align-items: center; justify-content: center;"> <div style="transform: rotate(-45deg); width: 50px; height: 50px; margin-right: 10px;"></div> <div>Year</div> </div> | | Financial summary for the last five years | | | | |
|---|---------------------|---|-----------------|-----------------|-----------------|-----------------|
| | | 2018 【Note1】 | 2019 【Note1】 | 2020 【Note1】 | 2021 【Note1】 | 2022 【Note1】 |
| Current assets | | 937,700 | 662,398 | 739,188 | 774,340 | 763,255 |
| Property, plant and equipment (Note2) | | 734,135 | 889,601 | 794,472 | 750,642 | 722,405 |
| Intangible assets | | 397 | 380 | 284 | 229 | 251 |
| Right-of-use assets | | - | 149,248 | 166,262 | 156,984 | 156,293 |
| Investment property | | - | - | 61,677 | 58,403 | 55,968 |
| Other assets | | 142,375 | 19,381 | 47,664 | 27,146 | 22,867 |
| Total assets | | 1,814,607 | 1,721,008 | 1,809,547 | 1,767,744 | 1,721,039 |
| Current liabilities | Before distribution | 524,381 | 497,459 | 642,380 | 661,518 | 609,193 |
| | After distribution | - | - | - | - | - |
| Non-current liabilities | | 501,683 | 420,798 | 395,320 | 322,553 | 273,977 |
| Total liabilities | Before distribution | 1,026,064 | 918,257 | 1,037,700 | 984,071 | 883,170 |
| | After distribution | - | - | - | - | - |

| | | | | | | |
|---|---------------------|----------|----------|----------|----------|----------|
| Equity attributable to shareholders of the parent | | 788,543 | 802,751 | 771,847 | 783,673 | 837,869 |
| Capital stock | | 843,000 | 843,000 | 843,000 | 843,000 | 843,000 |
| Capital surplus | | - | - | - | - | - |
| Retained earnings | Before distribution | (41,011) | (14,406) | (36,968) | 6,188 | 34,434 |
| | After distribution | - | - | - | - | - |
| Other equity interest | | (13,446) | (25,843) | (34,185) | (65,515) | (39,565) |
| Treasury stock | | - | - | - | - | - |
| Total equity | Before distribution | 788,543 | 802,751 | 771,847 | 783,673 | 837,869 |
| | After distribution | - | - | - | - | - |

Note 1: The financial information from 2018 to 2022 has been audited by CPA.

Note 2: Has not dealt with revalued of an asset.

Note 3: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be disclosed.

Note 4: For the figures after allocation mentioned above, please fill in according to the resolution of the board of directors or the next year's shareholders' meeting.

Note 5: If the financial information is notified by the authority to be corrected or restated, the corrected or restated figures shall be listed, and the circumstances and reasons shall be stated.

Consolidated condensed statement of comprehensive income

(Only earnings per shares expressed in NT\$)

Unit: NT\$ thousands

| <div style="display: flex; align-items: center; justify-content: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Year</div> <div style="border-bottom: 1px solid black; width: 100%;"></div> </div> | Financial summary for the last five years | | | | |
|--|---|-----------------|-----------------|-----------------|-----------------|
| | 2018 【Note1】 | 2019 【Note1】 | 2020 【Note1】 | 2021 【Note1】 | 2022 【Note1】 |
| Operating revenue | 859,258 | 969,311 | 1,060,094 | 1,379,203 | 1,079,677 |
| Gross profit | 61,340 | 155,205 | 148,187 | 210,306 | 172,442 |
| Income from operations | (97,923) | 21,818 | (9,535) | 45,367 | 18,539 |
| Non-operating income and expenses | 465,761 | (7,149) | (13,399) | (8,018) | 5,411 |
| Income (Loss) before tax | 367,838 | 14,669 | (22,934) | 37,349 | 23,950 |
| Net profit (loss) from continuing operations | 182,445 | 25,062 | (23,041) | 43,464 | 27,356 |
| loss of discontinued operations | - | - | - | - | - |
| Net income (Loss) | 182,445 | 25,062 | (23,041) | 43,464 | 27,356 |
| Other comprehensive income (income after tax) | (2,618) | (10,854) | (7,863) | (31,638) | 26,840 |
| Total comprehensive income | 179,827 | 14,208 | (30,904) | 11,826 | 54,196 |
| Net income attributable to shareholders of the parent | 182,445 | 25,062 | (23,041) | 43,464 | 27,356 |
| Net income attributable to non-controlling interest | - | - | - | - | - |
| Comprehensive income attributable to Shareholders of the parent | 179,827 | 14,208 | (30,904) | 11,826 | 54,196 |
| Comprehensive income attributable to non-controlling interest | - | - | - | - | - |
| Earnings per share (NT\$) | 2.16 | 0.30 | (0.27) | 0.52 | 0.32 |

Note 1: The financial information from 2018 to 2022 has been audited by CPA.

Note 2: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be disclosed.

Note 3: loss of discontinued operations is presented as the net amount after deducting income tax.

Note 4: If the financial information is notified by the authority to be corrected or restated, the corrected or restated figures shall be listed, and the circumstances and reasons shall be stated.

(2) Condensed balance sheet and condensed statement of income

parent company only condensed balance sheet

Unit: NT\$ thousands

| <div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Y e a r</div> <div style="border-bottom: 1px solid black; width: 100%;"></div> </div> | | Financial Summary for The Last Five Years | | | | |
|--|---------------------|---|-----------|-----------|-----------|-----------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Item | | 【Note1】 | 【Note1】 | 【Note1】 | 【Note1】 | 【Note1】 |
| Current assets | | 533,567 | 513,748 | 508,177 | 550,033 | 538,132 |
| Investments accounted for using equity method | | 712,461 | 742,403 | 729,897 | 733,858 | 754,665 |
| Property, plant and equipment (Note 2) | | 558,981 | 532,127 | 511,751 | 497,750 | 479,020 |
| Intangible assets | | 245 | 185 | 124 | 121 | 189 |
| Other assets | | 16,532 | 19,267 | 47,542 | 27,146 | 22,767 |
| Total assets | | 1,821,786 | 1,807,730 | 1,797,491 | 1,808,908 | 1,794,773 |
| Current liabilities | Before distribution | 532,918 | 590,849 | 631,897 | 705,364 | 685,547 |
| | After distribution | - | - | - | - | - |
| Non-current liabilities | | 500,325 | 414,130 | 393,747 | 319,871 | 271,357 |
| Total liabilities | Before distribution | 1,033,243 | 1,004,979 | 1,025,644 | 1,025,235 | 956,904 |

| | | | | | | |
|---|----------------------------|----------|----------|----------|----------|----------|
| | After distributio n | - | - | - | - | - |
| Equity attributable to shareholders of the parent | | 788,543 | 802,751 | 771,847 | 783,673 | 837,869 |
| Capital stock | | 843,000 | 843,000 | 843,000 | 843,000 | 843,000 |
| Capital surplus | | - | - | - | - | - |
| Retained earnings | Before distributio n | (41,011) | (14,406) | (36,968) | 6,188 | 34,434 |
| | After distributio n | - | - | - | - | - |
| Other equity interest | | (13,446) | (25,843) | (34,185) | (65,515) | (39,565) |
| Treasury stock | | - | - | - | - | - |
| Total equity | Before distributio n | 788,543 | 802,751 | 771,847 | 783,673 | 837,869 |
| | After distributio n | - | - | - | - | - |

Note 1: The financial information from 2018 to 2022 has been audited by CPA.

Note 2: Has not dealt with revalued of an asset.

Note 3: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be disclosed.

Note 4: For the figures after allocation mentioned above, please fill in according to the resolution of the board of directors or the next year's shareholders' meeting.

Note 5: If the financial information is notified by the authority to be corrected or restated, the corrected or restated figures shall be listed, and the circumstances and reasons shall be stated.

parent company only Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

(Only earnings per shares expressed in NT\$)

| <div style="text-align: center;">Year</div> <div style="text-align: center;">Item</div> | Financial summary for the last five years | | | | |
|---|---|----------|----------|-----------|----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| | 【Note1】 | 【Note1】 | 【Note1】 | 【Note1】 | 【Note1】 |
| Operating revenue | 672,157 | 846,975 | 881,924 | 1,079,643 | 788,908 |
| Gross profit | 39,259 | 75,868 | 94,428 | 139,074 | 77,582 |
| Income from operations | (43,119) | 46 | (12,949) | 23,557 | (20,630) |
| Non-operating income and expenses | 307,160 | 26,541 | (9,693) | 19,364 | 47,590 |
| Income (loss) before tax | 264,041 | 26,587 | (22,642) | 42,921 | 26,960 |
| Net profit (loss) from continuing operations | 182,445 | 25,062 | (23,041) | 43,464 | 27,356 |
| loss of discontinued operations | - | - | - | - | - |
| Net income (Loss) | 182,445 | 25,062 | (23,041) | 43,464 | 27,356 |
| Other comprehensive income | (2,618) | (10,854) | (7,863) | (31,638) | 26,840 |

| | | | | | |
|----------------------------|---------|--------|----------|--------|--------|
| Total comprehensive income | 179,827 | 14,208 | (30,904) | 11,826 | 54,196 |
|----------------------------|---------|--------|----------|--------|--------|

Note 1: The financial information from 2018 to 2022 has been audited by CPA.

Note 2: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be disclosed.

Note 3: loss of discontinued operations is presented as the net amount after deducting income tax.

Note 4: If the financial information is notified by the authority to be corrected or restated, the corrected or restated figures shall be listed, and the circumstances and reasons shall be stated.

6.1.3 Auditors' Opinions from 2018 to 2022

| Year | Accounting firm | CPA | Audit opinion |
|------|-----------------------|----------------------------------|---------------|
| 2022 | Ernst & Young, Taiwan | HUANG, TZU-PING, YEN, WEN-PI | Unqualified |
| 2021 | Ernst & Young, Taiwan | TU, CHIN-YUAN, HUANG, YU TING | Unqualified |
| 2020 | Ernst & Young, Taiwan | TU, CHIN-YUAN, HUANG, YU TING | Unqualified |
| 2019 | Ernst & Young, Taiwan | TU, CHIN-YUAN, HUANG, YU TING | Unqualified |
| 2018 | Ernst & Young, Taiwan | TU, CHIN-YUAN, YEN, WEN-PI | Unqualified |

6.2 Financial Analyses for the Past 5 Fiscal Years

Consolidated Financial Analysis

| <div>Year</div> <div>Item</div> | | Financial Analysis for the Last Five Years | | | | |
|---------------------------------|---|--|-----------------|-----------------|-----------------|-----------------|
| | | 2018 (Note1) | 2019 (Note1) | 2020 (Note1) | 2021 (Note1) | 2022 (Note1) |
| Financial structure (%) | Debt Ratio | 56.54 | 53.36 | 57.35 | 55.67 | 51.32 |
| | Ratio of long-term capital to property, plant and equipment | 175.75 | 137.54 | 146.91 | 147.37 | 153.91 |
| Solvency (%) | Current ratio | 178.82 | 133.16 | 115.07 | 117.06 | 125.29 |
| | Quick ratio | 124.51 | 73.89 | 69.31 | 63.60 | 70.96 |
| | Interest earned ratio (times) | 27.88 | 1.99 | (0.77) | 3.05 | 2.24 |
| Operating performance | Accounts receivable turnover (times) | 3.96 | 3.35 | 3.42 | 4.32 | 3.97 |
| | Average collection period | 92 | 109 | 107 | 84 | 92 |
| | Inventory turnover (times) | 3.46 | 3.30 | 3.56 | 4.01 | 2.86 |
| | Accounts payable turnover (times) | 11.56 | 9.63 | 6.28 | 8.10 | 8.05 |
| | Average days in sales | 105 | 111 | 103 | 91 | 128 |
| | Property, plant and equipment turnover (times) | 1.13 | 1.19 | 1.26 | 1.79 | 1.47 |
| | Total assets turnover (times) | 0.53 | 0.55 | 0.60 | 0.77 | 0.62 |
| Profitability | Return on total assets (%) | 11.94 | 2.09 | (0.33) | 3.25 | 2.45 |

| | | | | | | |
|-----------|---------------------------------------|---------|---------|---------|---------|---------|
| | Return on stockholders' equity (%) | 26.11 | 3.15 | (2.93) | 5.59 | 3.37 |
| | Pre-tax income to paid-in capital (%) | 43.63 | 1.74 | (2.72) | 4.43 | 2.84 |
| | Profit ratio (%) | 21.23 | 2.59 | (2.17) | 3.15 | 2.53 |
| | Earnings per share (NT\$) | 2.16 | 0.30 | (0.27) | 0.52 | 0.32 |
| Cash flow | Cash flow ratio (%) | (37.73) | (12.92) | 7.06 | 5.94 | 24.13 |
| | Cash flow adequacy ratio (%) | (45.23) | (48.41) | (32.92) | (44.21) | (6.59) |
| | Cash reinvestment ratio (%) | (10.39) | (3.78) | 2.87 | 2.54 | 9.15 |
| Leverage | Operating leverage | (7.17) | 38.09 | (99.14) | 26.99 | 51.02 |
| | Financial leverage | 0.88 | 3.11 | 0.31 | 1.67 | (25.89) |

| | |
|--|--|
| | <p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>(1): The changes in the interest earned ratio is mainly due to the decrease in revenue, which affects profit before tax and leads to a decrease in the interest earned ratio.</p> <p>(2) : The changes in inventory turnover and average days of sales are mainly due to the decrease in revenue and cost of sales, as well as an increase in average inventory, resulting in a decrease in inventory turnover and an increase in average days of sales.</p> <p>(3): The changes in the return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share are mainly due to the decrease in revenue, which affects the current profits and losses and leads to a decrease in return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share.</p> <p>(4): The changes in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are mainly due to the cash inflow from operating activities, resulting in an increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.</p> <p>(5): The changes in operating leverage are mainly due to the decrease in revenue and operating benefit, resulting in an increase in operating leverage.(6): The changes in financial leverage are mainly due to the decrease in revenue and operating benefit, resulting in a decrease in financial leverage.</p> |
|--|--|

* If the company prepares individual financial statements, it should also prepare the company's individual financial ratio analysis.

* If the financial information using the International Financial Reporting Standards is less than 5 years, the financial information based on ROC GAAP in the following Table 2 should be prepared separately.

Note 1: The financial information from 2018 to 2022 has been audited by CPA.

Note 2: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be analyzed.

Note 3: The following calculation formula should be listed at the end of this form of the annual report:

1. Financial structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating performance

(1) Average Collection Turnover = Net Sales / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) ROE = Profit and loss after tax / Average total equity

(3) Net Margin = Net Income / Net Sales

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) /

(Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets
+ Working Capital) (Note5)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest
Expenses)

Note4: When calculating the earnings per share formula, special attention should be paid to the following matters:

1. The calculation should be based on the weighted average number of shares of common stock, not the number of shares outstanding at the end of the year.
2. Where there is a cash capital increase or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.
3. Where there is a capital increase from surplus or capital reserve, when calculating the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year (whether paid or not) shall be deducted from the net profit after tax or added to the net loss after tax. If the preferred share is of a non-cumulative nature, and if there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, there is no need to adjust it.

Note5: When analyzing cash flow, special attention should be paid to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flow.
2. Capital expenditure refers to the annual cash outflow for capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory decreases at the end of the year, it is calculated as nil.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. The gross of property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note6: The issuer should classify various operating costs and operating expenses into fixed and variable according to their nature. If an estimate or subjective judgment involved, attention should be paid to rationality and consistency should be maintained.

Note7: If the shares of the company have no par value or the denomination per share is not NT\$10, the ratio of the paid-in capital previously stated shall be calculated as the ratio of equity attributable to the owners of the parent company on the balance sheet.

Parent company only financial analysis

| <div>Year</div> <div>Item</div> | | Financial analysis for the last five years | | | | |
|---------------------------------|---|--|-----------------|-----------------|-----------------|-----------------|
| | | 2018 (Note1) | 2019 (Note1) | 2020 (Note1) | 2021 (Note1) | 2022 (Note1) |
| Financial structure (%) | Debt ratio (%) | 56.72 | 55.59 | 57.06 | 56.68 | 53.32 |
| | Ratio of long-term capital to property, plant and equipment (%) | 230.57 | 228.68 | 227.77 | 221.71 | 231.56 |
| Solvency (%) | Current ratio | 100.12 | 86.95 | 80.42 | 77.98 | 78.50 |
| | Quick ratio | 62.99 | 55.85 | 52.36 | 47.30 | 44.93 |
| | Interest earned ratio (times) | 15.59 | 2.50 | (0.43) | 3.44 | 2.45 |
| Operating performance | Accounts receivable turnover (times) | 3.01 | 3.21 | 3.17 | 4.09 | 3.52 |
| | Average collection period | 121 | 114 | 115 | 89 | 104 |
| | Inventory turnover (times) | 3.53 | 4.22 | 4.47 | 4.91 | 3.32 |
| | Accounts payable turnover (times) | 3.80 | 2.95 | 3.55 | 5.45 | 3.99 |

| | | | | | | |
|---------------|--|---------|-----------|---------|-------|---------|
| | Average days in sales | 103 | 86 | 82 | 74 | 110 |
| | Property, plant and equipment turnover (times) | 1.21 | 1.55 | 1.69 | 2.14 | 1.62 |
| | Total assets turnover (times) | 0.41 | 0.47 | 0.49 | 0.60 | 0.44 |
| Profitability | Return on total assets (%) | 12.16 | 2.16 | (0.58) | 3.19 | 2.34 |
| | Return on stockholders' equity (%) | 26.11 | 3.15 | (2.93) | 5.59 | 3.37 |
| | Pre-tax income to paid-in capital (%) (Note7) | 31.32 | 3.15 | (2.69) | 5.09 | 3.20 |
| | Profit ratio (%) | 27.14 | 2.96 | (2.61) | 4.03 | 3.47 |
| | Earnings per share (NT\$) | 2.16 | 0.30 | (0.27) | 0.52 | 0.32 |
| Cash flow | Cash flow ratio (%) | 11.73 | 9.66 | (13.92) | 7.62 | 5.62 |
| | Cash flow adequacy ratio (%) (Note3) | 360.69 | 143.74 | 68.10 | 7.04 | 107.23 |
| | Cash reinvestment ratio (%) | 3.51 | 3.30 | (5.24) | 3.27 | 2.31 |
| Leverage | Operating leverage | (14.36) | 17,471.24 | (64.38) | 42.59 | (35.49) |
| | Financial leverage | 0.70 | (0.00) | 0.45 | 3.94 | 0.53 |

| | |
|--|--|
| | <p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <p>(1): The changes of interest earned ratio is mainly due to the decrease in revenue, which affects profit before tax and leads to a decrease in the interest earned ratio.</p> <p>(2) : The changes in inventory turnover and average days of sales are mainly due to the decrease in revenue and cost of sales, as well as an increase in average inventory, resulting in a decrease in inventory turnover and an increase in average days of sales.</p> <p>(3): The changes in accounts payable turnover are mainly due to the decrease in revenue and cost of sales, resulting in an increase in accounts payable, causing a decrease in accounts payable turnover.</p> <p>(4): The changes in property, plant and equipment turnover are mainly due to the decrease in revenue and the average value of property, plant and equipment, resulting in a decrease in the property, plant and equipment turnover.</p> <p>(5): The change in total asset turnover is mainly due to the decrease in revenue, resulting in a decrease in total asset turnover.</p> <p>(6): The changes in the return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share are mainly due to the decrease in revenue, which affects the current profits and losses and leads to a decrease in return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share.</p> <p>(7): The changes in the cash flow ratio and the cash reinvestment ratio are mainly due to the decrease in cash inflow from operating activities, resulting in a decrease in cash flow ratio and cash reinvestment ratio.</p> <p>(8): The changes in the cash flow adequacy ratio are mainly due to the cash inflow from operating activities over the past five years, which leads to an increase in the cash flow adequacy ratio.</p> <p>(9): The changes in operating leverage and financial leverage are mainly due to the decrease in revenue and operating benefit, resulting in a decrease in operating leverage and financial leverage.</p> |
|--|--|

Note1: The financial information from 2018 to 2022 has been audited by CPA.

Note2: Up to the date of publication of the annual report, if the TWSE/TPEX Listed Companies have the latest financial information that has been audited or reviewed by CPA, it should also be analyzed.

Note 3: The following calculation formula should be listed at the end of this form of the annual report:

1. Financial structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating performance

(1) Receivables turnover ratio (including accounts receivable and notes receivable from operating)=net sales revenue/ average accounts receivable (including accounts receivable and notes receivable generated from operations) balance for each period.

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Accounts payable turnover ratio (including accounts payable and not payable from operating)=cost of sales / average accounts payable (including accounts payable and notes payable generated from operations) balance for each period.

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) ROE = Profit and loss after tax / Average total equity

(3) Net Margin = Net Income / Net Sales

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note5)

6. Leverage:

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note6) °

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note4: The formula for calculating earnings per share above should pay attention to the following items when measuring:

1. The calculation should be based on the weighted average number of shares of common stock, not the number of shares outstanding at the end of the year.

2. Where there is a cash capital increase or treasury stock trading, the weighted average number of shares shall be calculated in consideration of its circulation period.

3. Where there is a capital increase from surplus or capital reserve, when calculating the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.

4. Where there is a capital increase from surplus or capital reserve, when calculating the earnings per share for previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.

Note5: When analyzing cash flow, special attention should be paid to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flow.
2. Capital expenditure refers to the annual cash outflow for capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory decreases at the end of the year, it is calculated as nil.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. The gross of property, plant and equipment is the total amount of property, plant and equipment before accumulated depreciation.

Note6: The issuer should classify various operating costs and operating expenses into fixed and variable according to their nature. If an estimate or subjective judgment involved, attention should be paid to rationality and consistency should be maintained.

Note7: If the shares of the company have no par value or the denomination per share is not NT\$10, the ratio of the paid-in capital previously stated shall be calculated as the ratio of equity attributable to the owners of the parent company on the balance sheet.

6.3 Audit Committee Review Report of Financial Statements for the Recent Year:

PONTEX POLYBLEND CO., LTD.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of Ernst & Young, by CPA HUANG, TZU-PING and YEN, WEN-PI, was retained to audit the Company's Financial Statements and has issued an audited report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Pontex Polyblend Co., Ltd. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

PONTEX POLYBLEND CO., LTD. 2023 regular meeting of shareholders

Convener of the Audit Committee: KUO, TIEN-TSAI

9 March 2023

6.4. Financial Statements for the Most Recent Fiscal Year, Including an Auditor's Report Prepared by a Certified Public Accountant, and 2-Year Comparative Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Chart, and Any Related Footnotes or Attached Appendices:

PONTEX POLYBLEND CO., LTD

REPRESENTATION LETTER

The entities that are required to be included in the consolidated statements of affiliates of PONTEX POLYBLEND CO., LTD. as of and for the year ended 31 December 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 International Financial Reporting Standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, PONTEX POLYBLEND CO., LTD. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Hereby certified.

PONTEX POLYBLEND CO., LTD

HENRY GLOBAL INVESTMENT CO., LTD.

Representative: SHEN, MAO-KEN

9 March 2023

Independent Auditors' Report

To PONTEX POLYBLEND CO.,LTD

Opinion

We have audited the accompanying consolidated balance sheets of PONTEX POLYBLEND CO.,LTD and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2022 consolidated financial statements. 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.

1. Impairment of accounts receivable

As of 31 December 2022, gross accounts receivable and loss allowance by the Company amounted to NT\$226,933 thousand and NT\$830 thousand, respectively. Net accounts receivable accounted for 13% of total assets. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of allowance for loss policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; investigating accounts receivable details, recalculating the reasonableness of allowance for loss based on the expected credit companies, and the expected loss rate by management assessing; evaluating individually the reasonableness of the impairment of accounts receivable long overdue and its collection in subsequent period.

We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

2. Valuation for inventories

As of 31 December 2022, the net inventories of the Company and its subsidiaries amounted to NT\$277,306 thousand accounting for 17% of the total assets. Due to the highly competitive nature of the market for polyblend materials, the wide range of product applications, the fact that the prices of raw materials, finished goods and products are subject to anticipated future market and economic conditions, and the uncertainty arising from rapid changes in product technology, the allowance for impairment of inventories involves significant management judgement. We therefore determined the inventory valuation a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the adequacy of accounting policy around obsolete and slow-moving inventories, evaluating stocktaking plan and selecting important storage locations to observe inventory counts to ensure inventory quantities and status; obtaining inventory aging schedule to test whether inbound and outbound records are accurate; re-calculating the unit cost of inventories; and evaluating and testing net realizable value adopted by management.

We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in 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 internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021.

Huang, Tzu Ping

Yen, Wen Pi

Ernst & Young, Taiwan

March 9, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Pontex Polyblend Co., Ltd. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | | 31 December 2022 | | 31 December 2021 | |
|--------|--|----------|------------------|-----|------------------|-----|
| Code | Item | Notes | Amount | % | Amount | % |
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 4,6(1) | \$151,394 | 9 | \$112,146 | 7 |
| 1110 | Financial assets at fair value through profit or loss, current | | 35,272 | 2 | - | - |
| 1150 | Notes receivable, net | 4,6(2) | 13,748 | 1 | 23,650 | 1 |
| 1170 | Accounts receivable, net | 4,6(3) | 226,103 | 13 | 279,793 | 16 |
| 1200 | Other receivables | 4 | 4,050 | - | 4,043 | - |
| 130x | Inventories | 4,6(4) | 277,306 | 17 | 281,387 | 16 |
| 1410 | Prepayments | | 22,857 | 1 | 40,890 | 2 |
| 1476 | Other current financial assets | 6(1),8 | 30,787 | 2 | 31,318 | 2 |
| 1479 | Other current assets | | 1,738 | - | 1,113 | - |
| 11xx | Total current assets | | 763,255 | 45 | 774,340 | 44 |
| | Non-current assets | | | | | |
| 1600 | Property, plant and equipment | 4,6(5),8 | 722,405 | 42 | 750,642 | 42 |
| 1755 | Right-of-use assets | 4,6(14) | 156,293 | 9 | 156,984 | 9 |
| 1760 | Investment property | 4,6(6) | 55,968 | 3 | 58,403 | 3 |
| 1780 | Intangible assets | 4 | 251 | - | 229 | - |
| 1840 | Deferred tax assets | 4,6(18) | 15,962 | 1 | 15,422 | 1 |
| 1900 | Other non-current assets | 6(7) | 3,844 | - | 10,089 | 1 |
| 1975 | Net defined benefit non-current assets | 4,6(10) | 3,061 | - | 1,635 | - |
| 15xx | Total non-current assets | | 957,784 | 55 | 993,404 | 56 |
| 1xxx | Total assets | | \$1,721,039 | 100 | \$1,767,744 | 100 |

(Continued)

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer : CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Pontex Polyblend Co., Ltd. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | 31 December 2022 | | 31 December 2021 | |
|------------------------|---|---------|------------------|-----|------------------|-----|
| Code | Item | Notes | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2100 | Short-term loans | 4,6(8) | \$427,749 | 25 | \$452,453 | 26 |
| 2150 | Notes payable | | 28,876 | 2 | 24,517 | 1 |
| 2170 | Accounts payable | | 38,697 | 2 | 67,618 | 4 |
| 2200 | Other payables | | 33,127 | 2 | 32,532 | 2 |
| 2230 | Current tax liabilities | 6(18) | 6,354 | - | 8,462 | - |
| 2320 | Long-term liabilities-current portion | 4,6(9) | 72,500 | 4 | 73,743 | 4 |
| 2399 | Other current liabilities | 6(12) | 1,890 | - | 2,193 | - |
| 21xx | Total current liabilities | | 609,193 | 35 | 661,518 | 37 |
| | Non-current liabilities | | | | | |
| 2540 | Long-term loans | 4,6(9) | 258,750 | 15 | 307,250 | 17 |
| 2570 | Deferred tax liabilities | 4,6(18) | 12,556 | 1 | 12,318 | 1 |
| 2610 | Long-term notes and accounts payable | | - | - | 354 | - |
| 2645 | Other non-current liabilities-others | | 2,671 | - | 2,631 | - |
| 25xx | Total non-current liabilities | | 273,977 | 16 | 322,553 | 18 |
| 2xxx | Total liabilities | | 883,170 | 51 | 984,071 | 55 |
| 31xx | Equity attributable to the parent company | | | | | |
| 3100 | Capital | | | | | |
| 3110 | Common stock | 6(11) | 843,000 | 49 | 843,000 | 49 |
| 3300 | Retained earnings | 6(11) | | | | |
| 3310 | Legal reserve | | 619 | - | - | - |
| 3320 | Special reserve | | 5,569 | - | - | - |
| 3350 | Unappropriated earnings | | 28,246 | 2 | 6,188 | - |
| 3400 | Other components of equity | | | | | |
| 3410 | Exchange differences on translation of foreign operations | | (39,565) | (2) | (65,515) | (4) |
| 3xxx | Total equity | | 837,869 | 49 | 783,673 | 45 |
| | Total liabilities and equity | | \$1,721,039 | 100 | \$1,767,744 | 100 |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer : CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Pontex Polyblend Co., Ltd. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| Code | Item | Notes | For the years ended 31 December 2022 | | For the years ended 31 December 2021 | |
|------|--|------------|---|------|---|------|
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 4,6(12),7 | \$1,079,677 | 100 | \$1,379,203 | 100 |
| 5000 | Operating costs | 6(4),6(15) | (907,235) | (84) | (1,168,897) | (85) |
| 5900 | Gross profit-net | | 172,442 | 16 | 210,306 | 15 |
| 6000 | Operating expenses | 6(15) | | | | |
| 6100 | Sales and marketing expenses | | (48,355) | (4) | (49,187) | (4) |
| 6200 | General and administrative expenses | | (85,417) | (8) | (82,179) | (6) |
| 6300 | Research and development expenses | | (17,899) | (1) | (21,272) | (1) |
| 6450 | Expected credit loss | 4,6(13) | (2,232) | - | (12,301) | (1) |
| | Total operating expenses | | (153,903) | (13) | (164,939) | (12) |
| 6900 | Operating income | | 18,539 | 3 | 45,367 | 3 |
| 7000 | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 630 | - | 179 | - |
| 7010 | Other income | 4,6(16) | 19,893 | 2 | 17,034 | 1 |
| 7020 | Other gains and losses | 6(16) | 4,143 | - | (5,585) | - |
| 7050 | Finance costs | 6(16) | (19,255) | (2) | (18,236) | (1) |
| 7055 | Expected credit losses | 6(13) | - | - | (1,410) | - |
| | Total non-operating income and expenses | | 5,411 | - | (8,018) | - |
| 7900 | Income from continuing operations before income tax | | 23,950 | 3 | 37,349 | 3 |
| 7950 | Income tax benefit | 4,6(18) | 3,406 | - | 6,115 | - |
| 8200 | Net income | | 27,356 | 3 | 43,464 | 3 |
| 8300 | Other comprehensive income (loss) | 6(17) | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurement on defined benefit plan | | 1,112 | - | (385) | - |
| 8349 | Income tax related to items that will not be reclassified subsequently | | (222) | - | 77 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | 25,950 | 2 | (27,388) | (2) |
| 8399 | Income tax related to items that may be reclassified subsequently | | - | - | (3,942) | - |
| | Total other comprehensive income (loss), net of tax | | 26,840 | 2 | (31,638) | (2) |
| 8500 | Total comprehensive income | | \$54,196 | 5 | \$11,826 | 1 |
| 8600 | Net income attributable to: | | | | | |
| 8610 | Stockholders of the parent | | \$27,356 | | \$43,464 | |
| 8620 | Non-controlling interests | | - | | - | |
| | | | \$27,356 | | \$43,464 | |
| 8700 | Comprehensive income attributable to: | | | | | |
| 8710 | Stockholders of the parent | | \$54,196 | | \$11,826 | |
| 8720 | Non-controlling interests | | - | | - | |
| | | | \$54,196 | | \$11,826 | |
| | Earnings per share (NTD) | 4,6(19) | | | | |
| 9750 | Earnings per share-basic | | \$0.32 | | \$0.52 | |
| 9850 | Earnings per share-diluted | | \$0.32 | | \$0.52 | |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.
Representative: SHEN, MAO-KEN

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Pontex Polyblend Co., Ltd. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| Item | Notes | Equity Attributable to the Parent Company | | | | | Total Equity |
|---|-------|---|-------------------|-----------------|-------------------------|---|--------------|
| | | Capital | Retained Earnings | | | Other components of equity | |
| | | | Legal Reserve | Special reserve | Unappropriated Earnings | Exchange Differences on Translation of Foreign Operations | |
| Balance as of 1 January 2021 | 6(17) | \$843,000 | \$ - | \$ - | \$(36,968) | \$(34,185) | \$771,847 |
| Net income for the year ended 31 December 2021 | | - | - | - | 43,464 | - | 43,464 |
| Other comprehensive loss, net of tax for the year ended 31 December, 2021 | | - | - | - | (308) | (31,330) | (31,638) |
| Total comprehensive loss | | - | - | - | 43,156 | (31,330) | 11,826 |
| Balance as of 31 December 2021 | | \$843,000 | \$ - | \$ - | \$6,188 | \$(65,515) | \$783,673 |
| Balance as of 1 January 2022 | 6(17) | \$843,000 | \$ - | \$ - | \$6,188 | \$(65,515) | \$783,673 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | |
| Legal reserve | | - | 619 | - | (619) | - | - |
| Special reserve | | - | - | 5,569 | (5,569) | - | - |
| Net income for the year ended 31 December 2022 | | - | - | - | 27,356 | - | 27,356 |
| Other comprehensive income, net of tax for the year ended 31 December, 2022 | | - | - | - | 890 | 25,950 | 26,840 |
| Total comprehensive income | | - | - | - | 28,246 | 25,950 | 54,196 |
| Balance as of 31 December 2022 | | \$843,000 | \$619 | \$5,569 | \$28,246 | \$(39,565) | \$837,869 |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.
Representative: SHEN, MAO-KEN

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Pontex Polyblend Co., Ltd. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Item | Notes | For the years ended 31 December 2022 | For the years ended 31 December 2021 |
|---|-------|---|---|
| Cash flows from operating activities: | | | |
| Net income before tax | | \$23,950 | \$37,349 |
| Adjustments to reconcile net income before tax to net cash provided by operating activities: | | | |
| Depreciation | | 56,739 | 56,110 |
| Amortization | | 142 | 124 |
| Expected credit loss | | 2,232 | 13,711 |
| Interest expense | | 19,255 | 18,236 |
| Interest income | | (630) | (179) |
| Loss on disposal of property, plant and equipment | | 174 | 8,065 |
| Reversal of impairment loss on non-financial assets | | (174) | (8,796) |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in notes receivable | | 9,902 | (4,935) |
| Decrease in accounts receivable | | 53,719 | 40,405 |
| Increase in other receivables | | (290) | (455) |
| Decrease (increase) in inventories, net | | 4,081 | (49,219) |
| Decrease (increase) in prepayments | | 18,033 | (6,712) |
| Decrease (increase) in other current financial assets | | 531 | (3,701) |
| Increase (decrease) in other current assets | | (625) | 5,370 |
| Increase in notes payable | | 4,005 | 7,788 |
| Decrease in accounts payable | | (28,921) | (49,625) |
| Increase in other payables | | 3,427 | 38 |
| Decrease in other current liabilities | | (303) | (5,081) |
| Increase in net defined benefit non-current assets | | (314) | (321) |
| Cash generated from operations | | 164,933 | 58,172 |
| Interest received | | 598 | 178 |
| Interest paid | | (19,127) | (18,210) |
| Income tax paid (return) | | 582 | (845) |
| Net cash provided by operating activities | | 146,986 | 39,295 |

(The accompanying notes form an integral part of the consolidated financial statements)

Chairman: HENRY GLOBAL INVESTMENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Pontex Polyblend Co., Ltd. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Item | Notes | For the years ended 31 December 2022 | For the years ended 31 December 2021 |
|--|-------|---|---|
| Cash flows from investing activities: | | | |
| Acquisition of property, plant and equipment | | (11,810) | (18,808) |
| Proceeds from disposal of property, plant and equipment | | - | 920 |
| Acquisition of intangible assets | | (160) | (82) |
| Acquisition of amortized cost financial assets | | (35,272) | - |
| Increase in other non-current assets | | 420 | (110) |
| Net cash used in investing activities | | (46,822) | (18,080) |
| Cash flows from financing activities: | | | |
| Increase in short-term loans | | 955,937 | 1,111,257 |
| Decrease in short-term loans | | (982,124) | (1,045,075) |
| Proceeds from long-term loans | | 24,000 | - |
| Repayments of long-term loans | | (73,743) | (72,288) |
| Increase in long-term notes and accounts payable | | - | 354 |
| Increase in other non-current liabilities | | 40 | 1,189 |
| Net cash used in financing activities | | (75,890) | (4,563) |
| Effect of exchange rate changes on cash and cash equivalents | | 14,974 | (5,174) |
| Net increase in cash and cash equivalents | | 39,248 | 11,478 |
| Cash and cash equivalents at beginning of period | | 112,146 | 100,668 |
| Cash and cash equivalents at end of period | 6(1) | \$151,394 | \$112,146 |

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

Chairman: HENRY GLOBAL INVESTMENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

Pontex Polyblend Co., Ltd. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

For the years Ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, unless Otherwise Stated)

1、History and organization

Pontex Polyblend Co., Ltd. (hereinafter “the Company”) was incorporated in 21 December 1982. It is primarily in the business of compounding, processing, injection, moulding and trading of resins, plastic and rubber materials, shoe sole materials, etc., as well as in the operation and investment of the relevant businesses.

In July 1999, in response to the need for diversification of future fund raising channels and with the consent of the securities authorities, a retroactive handling of public issuance procedures was completed. In September 2001, an application was made to the Taipei Exchange for the listing of the shares on the Taipei Exchange and the listing was approved on 26 March 2002. Its registered office and primary place of business is located at No.23-6, Longxing Ln., Sec. 2, Fengxing Rd., Tanzi Dist., Taichung City 427, Taiwan.

2、Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2022 and 2021 were approved to release in accordance with a resolution of the board of directors’ meeting on 09 March 2023.

3、Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption new standard and amendment is described, had no material impact on the Group.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| a | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| b | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| c | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. The remaining standards and interpretations have no material impact on the Group.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | 1 January 2023 |
| c | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2024 |
| d | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| e | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Group.

4、Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and loss and dividends resulting from intra-group transactions are eliminated in full.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss;
- F. reclassifies the parent's share of components previously recognized in other comprehensive income as changes in profit or loss.

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main businesses | Percentage of ownership (%) | |
|------------------------------|---|---|-----------------------------|--------------|
| | | | 2022.12.31 | 2021.12.31 |
| The Company | Multitex Polyblend co.,LTD. | A holding company of investment in China. | 100% | 100% |
| Multitex Polyblend co., LTD. | Pontex(Q.Y) Polyblend Co.,Ltd (Hereinafter referred to as Pontex(Q.Y) Co.) | Manufacture and sale of plastic pellets, plastic sports equipment together with parts thereof, shoes, shoe materials and parts thereof, and moulds. | 100% | 100% |
| The Company | Ever Power Services Trading Limited | Collections and payment transfer of materials. | - (Note1) | - (Note1) |
| The Company | Polytech Global Limited | A holding company of investment in VietNam. | 100% | 100% |
| Polytech Global Limited | Cleated Molding Global Limited | A holding company of investment in VietNam. | 100% | 100% |

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Investor | Subsidiary | Main businesses | Percentage of ownership (%) | |
|-----------------------------------|--|--|-----------------------------|------------|
| | | | 2022.12.31 | 2021.12.31 |
| Cleated Molding Global Limited | VietNam Bang Thai Polyblend Co.,Ltd (Hereinafter referred to as VietNam Bang Thai Co.) | Manufacture and sale of plastic pellets, plastic sports equipment together with parts thereof, shoes, shoe materials and parts thereof, and moulds. | 100% | 100% |
| -(Note2) | New Fortune Enterprises Limited | Collections and payment transfer of materials. | - | - |
| -(Note3) | Fantastic Business International Co., Ltd | Collections and payment transfer of materials. | - | - |
| -(Note3) | Extra Achievement Group Ltd. | Collections and payment transfer of materials. | - | - |

Note1:Ever Power Services Trading Limited was deregistered on 18 May 2021.

Note2:New Fortune Enterprises Limited was established in the Nevis Islands in the name of the Chairman at the time of its establishment. It is primarily engaged in the collection and payment transfer for the sales of equipment injection parts and assemblies. As all of its transaction counterparties are the Company and Pontex(Q.Y) Co., it has been included in the Consolidated Entities, even though the Consolidated Entities do not hold any shares. New Fortune Enterprises Limited was deregistered on 23 February 2021.

Note3:Fantastic Business International Co., Ltd and Extra Achievement Group Ltd. was established in Seychelles on 2 March 2017 in the name of the Deputy General Manager at the time of its establishment. It is primarily engaged in the collection and payment transfer for the sales of equipment injection parts and assemblies. As all of its transaction counterparties are the Company and VietNam Bang Thai Co., it has been included in the Consolidated Entities, even though the Consolidated Entities do not hold any shares. Extra Achievement Group Ltd. was deregistered on 5 February 2021 and Fantastic Business International Co., Ltd. was deregistered on 14 October 2021.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period

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- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Group's business model for managing the financial assets
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or loss.

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Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or loss and foreign exchange gains and loss, until the financial asset is derecognized or reclassified.

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(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method.

This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

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Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or loss resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit loss of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

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The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

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A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or loss on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and loss are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

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Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

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(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

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| Items | Useful Lives |
|--------------------------|--------------|
| Buildings | 3~50 years |
| Machinery and equipment | 2~10 years |
| Transportation equipment | 5~10 years |
| Office equipment | 2~10 years |
| Other equipment | 2~20 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|-----------|----------|
| Buildings | 20 years |
|-----------|----------|

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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

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Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

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Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

A summary of the policies applied to the Group's intangible assets is as follows:

| | Computer software |
|----------------------------------|--|
| Useful lives | 5~6 years |
| Amortization method used | Amortized on a straight-line basis over the period of the patent |
| Internally generated or acquired | Acquired |

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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(18) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells goods and recognizes revenue when the promised goods are delivered to the customer and the customer obtains control over them (i.e. The customer simultaneously receives and consumes the economic benefits of the provided asset as the entity performs). The main goods are functional shoe outsoles, midsoles, trim components and other upper injection and rubber materials, and revenue is recognized on the basis of contracted prices.

The credit period of the Group's sale of goods is from 30 to 165 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Multitex Ployblend co., LTD. 、Polytech Global Limited 、Cleated Molding Global Limited 、Ever Power Services Trading Limited 、New Fortune Enterprises Limited 、Fantastic Business International Co., Ltd and Extra Achievement Group Ltd. Income from offshore operations is exempt from income tax under local tax laws.

In accordance with the “Enterprise Income Tax Law of the People's Republic of China”, the corporate income tax rate for Pontex (Q. Y) Co. is at 25%.

VietNam Bang Thai Polyblend Co., Ltd. is subject to a preferential corporate income tax rate of 15% for 12 years after the commencement of business activities and 20% for the remaining years under the local corporate income tax law. Corporate income tax is exempted for three years from the commencement of taxable income and reduced by half for the following seven years.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

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(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for a detailed description of the assumptions used to measure the defined benefit cost and the defined benefit obligation.

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Trade receivables—estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(e) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of 31 December | |
|-----------------|-------------------|------------------|
| | 2022 | 2021 |
| Cash on hand | \$1,252 | \$1,543 |
| Cheque deposits | 1,688 | 951 |
| Demand deposits | 148,454 | 109,652 |
| Total | <u>\$151,394</u> | <u>\$112,146</u> |

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As at 31 December 2022 and 2021, restricted bank deposits amounting to NT\$30,787 thousand and NT\$31,318 thousand, respectively, were classified under other financial assets - current.

Please refer to note 8 for other financial assets - current under pledge.

(2) Notes receivables

| | As of 31 December | |
|---|-------------------|-----------------|
| | 2022 | 2021 |
| Notes receivables arising from operating activities | \$14,655 | \$24,557 |
| Less: loss allowance | (907) | (907) |
| Total | <u>\$13,748</u> | <u>\$23,650</u> |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.13 for more details on loss allowance and Note 12 for details on credit risk.

(3) Accounts receivables and accounts receivable - related parties

| | As of 31 December | |
|----------------------|-------------------|------------------|
| | 2022 | 2021 |
| Accounts receivables | \$226,933 | \$283,648 |
| Less: loss allowance | (830) | (3,855) |
| Total | <u>\$226,103</u> | <u>\$279,793</u> |

Accounts receivables were not pledged.

Accounts receivables are generally on 30-165 day terms. The total receivables of carrying amount are \$226,933 and \$283,648 as of December 31, 2022 and 2021, respectively. Please refer to Note 6.13 for more details on loss allowance of accounts receivables for the year periods ended December 2022 and 2021. Please refer to Note 12 for more details on credit risk management. 100% credit loss provision is reserved for account receivables which are deemed with least possibility to be collected. Please refer to Note 6(7) for more details.

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(4) Inventories

| | As of 31 December | |
|----------------------|-------------------|------------------|
| | 2022 | 2021 |
| Raw materials | \$214,864 | \$205,569 |
| Work in progress | 5,809 | 7,990 |
| Finished goods | 53,520 | 63,550 |
| Merchandise | 329 | 2,119 |
| Inventory in transit | 2,784 | 2,159 |
| Total | <u>\$277,306</u> | <u>\$281,387</u> |

The cost of inventories recognized in cost of goods sold including the write-down of inventories for 2022 and 2021 are as follows:

| | For the years ended 31 December | |
|---------------------------|---------------------------------|-------------|
| | 2022 | 2021 |
| Cost | \$907,235 | \$1,168,897 |
| Write-down of inventories | 3,255 | 2,310 |

Inventories were not pledged.

(5) Property, plant and equipment

| | Land and land Improvements | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Other equipment | Construction in progress | Total |
|----------------------|-------------------------------|------------------|----------------------------|---------------------|-----------------------------|------------------|-----------------------------|--------------------|
| Cost: | | | | | | | | |
| As of January 2022 | \$353,545 | \$615,166 | \$244,309 | \$13,078 | \$11,869 | \$186,486 | \$ - | \$1,424,453 |
| Additions | - | 160 | 7,976 | 344 | - | 1,673 | 5,975 | 16,128 |
| Disposals | - | (761) | (3,015) | (863) | - | - | - | (4,639) |
| Reclassification | - | - | - | - | - | - | (5,975) | (5,975) |
| Exchange differences | - | 8,032 | 4,374 | 241 | 79 | 2,120 | - | 14,846 |
| As of December 2022 | <u>\$353,545</u> | <u>\$622,597</u> | <u>\$253,644</u> | <u>\$12,800</u> | <u>\$11,948</u> | <u>\$190,279</u> | <u>\$ -</u> | <u>\$1,444,813</u> |

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| | Land and land Improvements | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Other equipment | Construction in progress | Total |
|--|-------------------------------|------------------|----------------------------|---------------------|-----------------------------|------------------|-----------------------------|--------------------|
| <u>Depreciation and impairment:</u> | | | | | | | | |
| As of January 2022 | \$ - | \$331,026 | \$166,986 | \$11,767 | \$8,422 | \$155,610 | \$ - | \$673,811 |
| Depreciation and impairment: | - | 19,012 | 18,298 | 761 | 1,245 | 9,304 | - | 48,620 |
| Disposals | - | (587) | (3,015) | (863) | - | - | - | (4,465) |
| Exchange differences | - | 1,286 | 1,857 | 217 | 50 | 1,032 | - | 4,442 |
| As of December 2022 | <u>\$ -</u> | <u>\$350,737</u> | <u>\$184,126</u> | <u>\$11,882</u> | <u>\$9,717</u> | <u>\$165,946</u> | <u>\$ -</u> | <u>\$722,408</u> |
| <u>Cost:</u> | | | | | | | | |
| As of January 2021 | \$353,545 | \$625,340 | \$264,660 | \$13,082 | \$11,966 | \$186,746 | \$ - | \$1,455,339 |
| Additions | - | 104 | 12,518 | 336 | - | 3,764 | 3,289 | 20,011 |
| Disposals | - | - | (30,084) | - | - | (1,260) | - | (31,344) |
| Exchange differences | - | - | 3,038 | - | - | 251 | (3,289) | - |
| Exchange differences | - | (10,278) | (5,823) | (340) | (97) | (3,015) | - | (19,553) |
| As of December 2021 | <u>\$353,545</u> | <u>\$615,166</u> | <u>\$244,309</u> | <u>\$13,078</u> | <u>\$11,869</u> | <u>\$186,486</u> | <u>\$ -</u> | <u>\$1,424,453</u> |
| <u>Depreciation and impairment:</u> | | | | | | | | |
| As of January 2021 | \$ - | \$313,073 | \$181,136 | \$11,012 | \$7,233 | \$148,413 | \$ - | \$660,867 |
| Depreciation and impairment: | - | 19,226 | 8,861 | 989 | 1,237 | 9,228 | - | 39,541 |
| Disposals | - | - | (21,288) | - | - | (1,071) | - | (22,359) |
| Exchange differences | - | (1,273) | (1,723) | (234) | (48) | (960) | - | (4,238) |
| As of December 2021 | <u>\$ -</u> | <u>\$331,026</u> | <u>\$166,986</u> | <u>\$11,767</u> | <u>\$8,422</u> | <u>\$155,610</u> | <u>\$ -</u> | <u>\$673,811</u> |
| <u>Net carrying amount:</u> | | | | | | | | |
| 31 December 2022 | <u>\$353,545</u> | <u>\$271,860</u> | <u>\$69,518</u> | <u>\$918</u> | <u>\$2,231</u> | <u>\$24,333</u> | <u>\$ -</u> | <u>\$722,405</u> |
| 31 December 2021 | <u>\$353,545</u> | <u>\$284,140</u> | <u>\$77,323</u> | <u>\$1,311</u> | <u>\$3,447</u> | <u>\$30,876</u> | <u>\$ -</u> | <u>\$750,642</u> |

As of 31 December 2022 and 2021, \$18,753 thousand of the cost of land was accounted for as costs related to the acquisition of farmland. Due to legal restrictions, the title is temporarily registered in the name of another party and a trust of land is signed, which will be changed to the name of the Company when the transfer to the Company is permitted by law in the future.

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The movement in the Company's accumulated impairment is as follows:

| | For the years ended 31 Decembe | |
|---|--------------------------------|-------------------|
| | 2022 | 2021 |
| Accumulated impairment at the beginning of the period | \$(50,692) | \$(59,519) |
| Reversal for the period | 174 | 8,796 |
| Effect of exchange rate | (41) | 31 |
| Accumulated impairment at the end of the period | <u>\$(50,559)</u> | <u>\$(50,692)</u> |

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(6) Investment property

Investment property comprises only the Group's owned investment property.

| | Buildings |
|----------------------|-----------------|
| <u>Cost :</u> | |
| As of January 2022 | \$65,194 |
| Exchange differences | 975 |
| As of December 2022 | <u>\$66,169</u> |

| | |
|--------------------------------------|-----------------|
| <u>Depreciation and impairment :</u> | |
| As of January 2022 | \$6,791 |
| Depreciation | 3,318 |
| Exchange differences | 92 |
| As of December 2022 | <u>\$10,201</u> |

| | |
|----------------------|-----------------|
| <u>Cost :</u> | |
| As of January 2021 | \$65,209 |
| Exchange differences | (15) |
| As of December 2021 | <u>\$65,194</u> |

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| | <u>Buildings</u> |
|--------------------------------------|------------------|
| <u>Depreciation and impairment :</u> | |
| As of January 2021 | \$3,532 |
| Depreciation | 3,249 |
| Exchange differences | 10 |
| As of December 2022 | <u>\$6,791</u> |
| <u>Net carrying amount:</u> | |
| 31 December 2022 | <u>\$55,968</u> |
| 31 December 2021 | <u>\$58,403</u> |

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Group as at 19 January 2022, as assessed by an independent external appraiser, was \$261,547 thousand. The Company's management assessed the fair value of investment property and there were no significant changes as at 31 December 2022.

(7) Other non-current assets

| | <u>As of 31 December</u> | |
|--|--------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Overdue receivables | \$296,485 | \$271,374 |
| Less: loss allowance (overdue receivables) | (293,735) | (271,374) |
| Long-term receivables | - | 24,362 |
| Less: loss allowance (long-term receivables) | - | (17,089) |
| Advance payments in equipments | 73 | 1,376 |
| Refundable deposits | 671 | 1,090 |
| Other non-current assets | 350 | 350 |
| Total | <u>\$3,844</u> | <u>\$10,089</u> |

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(8) Short-term borrowings

| | As of 31 December | |
|--------------------|-------------------|-----------|
| | 2022 | 2021 |
| Secured bank loans | \$427,749 | \$452,453 |

| | As of 31 December | |
|------------------------------------|-------------------|----------|
| | 2022 | 2021 |
| Unused short-term lines of credits | \$201,359 | \$84,768 |

Interest Rates (%):

| | For the years ended 31 December | |
|--------------------|---------------------------------|-------------|
| | 2022 | 2021 |
| Secured bank loans | 2.04%~5.25% | 1.95%~2.65% |

Please refer to Note 8 for more details on other financial assets and property, plant and equipment pledged as security for short-term borrowings.

(9) Long-term borrowings

Details of long-term loans as at 31 December 2022 and 2021 are as follows:

| Lenders | As of 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|---|
| First Commercial Bank secured bank loans | \$286,000 | 2.78% | From 30th December 2018 to 29th December 2025, installments will be made in monthly installments of \$1,500 thousand each in the first year, \$3,000 thousand each in the second year and \$4,000 thousand each in the third year. With effect from 16th July 2020, the credit terms were changed for a grace period up to 27th June 2021. The principal is repayable in monthly installments of \$4,000 thousand from 28th June 2021 to 28th June 2022 and \$5,000 thousand from 28th June 2022, with the remaining principal of \$111,000 thousand to be repaid in full on the maturity date. |

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| Lenders | As of 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|--|---------------------------|----------------------|--|
| The Shanghai Commercial Bank secured bank loans | 21,250 | 3.25% | Interest is payable monthly in monthly instalments from 14th October 2020 to 14th October 2025, with the first year being a grace period of NT\$625 thousand and the final instalment being repaid in full, with interest payable monthly. |
| The Shanghai Commercial Bank secured bank loans | 4,000 | 2.75% | Interest is payable monthly in monthly instalments from 10th March 2023 to 10th February 2027, with the first year being a grace period of NT\$83 thousand and the final instalment being repaid in full, with interest payable monthly. |
| The Shanghai Commercial Bank secured bank loans | 11,000 | 2.75% | Interest is payable monthly in monthly instalments from 17th March 2023 to 17th February 2027, with the first year being a grace period of NT\$229 thousand and the final instalment being repaid in full, with interest payable monthly. |
| Subtotal | 331,250 | | |
| Less: current portion | (72,500) | | |
| Total | <u>\$258,750</u> | | |

| Lenders | As of 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|---|
| First Commercial Bank secured bank loans | \$340,000 | 2.15% | From 30th December 2018 to 29th December 2025, installments will be made in monthly installments of \$1,500 thousand each in the first year, \$3,000 thousand each in the second year and \$4,000 thousand each in the third year. With effect from 16th July 2020, the credit terms were changed for a grace period up to 27th June 2021. The principal is repayable in monthly installments of \$4,000 thousand from June 28, 2021 to June 28, 2022 and \$5,000 thousand from 28th June 2022, with the remaining principal of \$111,000 thousand to be repaid in full on the maturity date. |

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| Lenders | As of 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|--|
| The Shanghai Commercial Bank secured bank loans | 28,750 | 2.75% | Interest is payable monthly in monthly instalments from 14th October 2020 to 14th October 2025, with the first year being a grace period of NT\$625 thousand and the final instalment being repaid in full, with interest payable monthly. |
| Subtotal | 380,993 | | |
| Less: current portion | (73,743) | | |
| Total | <u>\$307,250</u> | | |

Certain land and buildings are pledged as first priority security for secured bank loans, please refer to Note 8 for more details.

(10) Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries in China are required by the local government to contribute a certain percentage of the total salaries of their employees to the pension insurance fund, which is paid to the relevant government departments and deposited in a separate account for each employee.

Other foreign subsidiaries of the Group contribute pensions to the relevant pension management business in accordance with local laws and regulations.

The Group recognized \$2,369 thousand and \$2,515 thousand of expenses for the defined contribution plan for the years ended 31 December 2022 and 2021, respectively.

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Defined benefits plan

The Group adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions on the assumption that workers meeting retirement terms will be retiring within the coming year, the Group shall make one-time contribution to the fund to eliminate the difference before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$302 to its defined benefit plan during the 12 months beginning after 31 December 2022.

The average duration of the defined benefits plan obligation as at 31 December 2022, was 6 years.

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Pension costs recognized in profit or loss are as follows:

| | For the years ended 31 December | |
|--|---------------------------------|--------------|
| | 2022 | 2021 |
| Current service costs | \$ - | \$ - |
| Net interest on net defined benefit liabilities (assets) | (11) | (7) |
| Total | <u>\$(11)</u> | <u>\$(7)</u> |

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

| | As of | | |
|--|---------------------|---------------------|--------------------|
| | 31 December 2022 | 31 December 2021 | 31 January 2021 |
| Present value of defined benefit obligations | \$11,026 | \$12,669 | \$13,283 |
| Fair value of planned assets | <u>(14,087)</u> | <u>(14,304)</u> | <u>(14,982)</u> |
| Carrying amount of other non-current liabilities - net defined benefit (asset) liabilities | <u>\$(3,061)</u> | <u>\$(1,635)</u> | <u>\$(1,699)</u> |

Reconciliation of liability (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|--|----------------------------------|------------------------------|---------------------------------|
| As of 1 January 2021 | \$13,283 | \$(14,982) | \$(1,699) |
| Current period service costs | - | - | - |
| Net interest expense (income) | <u>55</u> | <u>(62)</u> | <u>(7)</u> |
| Subtotal | 13,338 | (15,044) | (1,706) |
| Remeasurement of defined benefit liabilities/assets. | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 19 | - | 19 |

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| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|--|----------------------------------|------------------------------|---------------------------------|
| Actuarial gains and losses arising from changes in financial assumptions | (245) | - | (245) |
| Experience adjustments | 819 | (208) | 611 |
| Subtotal | 593 | (208) | 385 |
| Benefits paid | (1,262) | 1,262 | - |
| Contributions by employer | - | (314) | (314) |
| As of 31 December 2021 | \$12,669 | \$(14,304) | \$(1,635) |
| Current period service costs | - | - | - |
| Net interest expense (income) | 85 | (96) | (11) |
| Subtotal | 12,754 | (14,400) | (1,646) |
| Remeasurement of defined benefit liabilities/assets. | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (398) | - | (398) |
| Experience adjustments | 440 | (1,154) | (714) |
| Subtotal | 42 | (1,154) | (1,112) |
| Benefits paid | (1,770) | 1,770 | - |
| Contributions by employer | - | (303) | (303) |
| As of 31 December 2022 | \$11,026 | \$(14,087) | \$(3,061) |

The following significant actuarial assumptions are used to determine the defined benefit obligation:

| | As of 31 December | |
|-----------------------------------|-------------------|-------|
| | 2022 | 2021 |
| Discount rate | 1.20% | 0.67% |
| Expected rate of salary increases | 0.50% | 0.50% |

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Sensitivity analysis for each significant assumption:

| | For the years ended 31 December | | | |
|--------------------------------|--|--|--|--|
| | 2022 | | 2021 | |
| | Increase defined benefit obligation | Decrease defined benefit obligation | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increase by 0.5% | \$ - | \$342 | \$ - | \$439 |
| Discount rate decrease by 0.5% | 374 | - | 514 | - |
| Future salary increase by 0.5% | 375 | - | 511 | - |
| Future salary decrease by 0.5% | - | 279 | - | 357 |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The methods and assumptions for preparing sensitivity analyses was consistent with those in the prior fiscal period.

(11) Equities

(a) Common stock

The Company's authorized capital was NT\$3,500,000 thousand as at 1 January 2021, each at a par value of NT\$10. Of 350,000,000 shares, 84,300,000 shares were issued, with paid-in capital of NT\$843,000 thousand. Each share has one voting right and a right to receive dividends. There has been no change as at 31 December 2022.

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(b) Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Legal reserve

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

According to the existing regulations, when the Company distributing distributable earnings, it shall set aside an amount equal to “other net deductions from shareholders’ equity for the current fiscal year to special reserve. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

Upon the adoption of IFRSs, the Company recognized a special reserve of the same amount as the unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the accounts upon the first-time adoption of IFRSs, which was transferred to retained earnings upon the adoption of IFRS 1, “First-time Adoption of International Financial Reporting Standards”, in accordance with the Financial-Supervisory-Securities-Corporate-1010012865 issued by the FSC on 6 April 2012. The Company recorded a negative balance of retained earnings (accumulated deficit) as at 1 January 2012. Therefore, this order has no impact on the Company.

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(e) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy is in line with its profitability, capital structure, and future operational needs. The Company aims to allocate not less than 10% of the distributable profits to distribute dividends to shareholders each year. However, if the dividend per share calculated based on the distributable profits is less than NT\$0.5, it may not be distributed. Shareholder dividends may be distributed in cash or in the form of stocks, but the maximum limit for stock dividends is 10% of the total dividend amount.

In accordance with the Financial-Supervisory-Securities-Corporate-1090 150022 issued by the FSC on March 31, 2021, on a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution. The Company recorded a negative balance of retained earnings (accumulated deficit) as at 1 January 2012. Therefore, this order has no impact on the Company.

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Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 9 March 2023 and 2 June 2022, respectively, are as follows:

| | Appropriation of earnings and distribution | | Dividend per share | |
|-------------------------------|---|-------|--------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | | | | |
| Provision for special reserve | \$2,825 | \$619 | | |
| | - | 5,569 | | |
| Stock dividends | 25,290 | - | \$0.3 | \$ - |

Please refer to Note 6.15 for details on employees' compensation and remuneration to directors and supervisors.

(12) Operating revenue

| | For the years ended 31 December | |
|---------------------------------------|---------------------------------|--------------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Sale of goods | <u>\$1,079,677</u> | <u>\$1,379,203</u> |

Analysis of revenue from contracts with customers during the years ended 31 December 2022 and 2021 are as follows:

A. Disaggregation of revenue

For the year ended 31 December 2022:

| | Equipment Business Department | Compound Material Business Department | Total |
|---------------|-------------------------------------|--|--------------------|
| | | | |
| Sale of goods | <u>\$278,675</u> | <u>\$801,002</u> | <u>\$1,079,677</u> |

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For the year ended 31 December 2021:

| | Equipment Business Department | Compound Material Business Department | Total |
|---------------|-------------------------------------|--|--------------------|
| Sale of goods | <u>\$243,653</u> | <u>\$1,135,550</u> | <u>\$1,379,203</u> |

The Company recognize revenue from contracts with customers at a point in time.

B. Contract balance

Contract liabilities – current (Classified as other current liabilities)

| | As of | | |
|----------------|---------------------|---------------------|-------------------|
| | 31 Decemder 2022 | 31 Decemder 2021 | 1 January 2021 |
| Sales of goods | <u>\$1,714</u> | <u>\$2,019</u> | <u>\$7,032</u> |

The Group's balance of contract liabilities for the years ended 31 December 2022 and 2021 decreased because most of the performance obligations have been fulfilled.

The significant changes in the Group's balances of contract liabilities for the tyears ended 31 December 2022 and 2021 are as follows:

| | For the years ended 31 December | |
|---|------------------------------------|-----------|
| | 2022 | 2021 |
| (Decrease) increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | \$(305) | \$(5,013) |

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(13) Expected credit (loss) gains

| | For the years ended 31 December | |
|--|---------------------------------|----------|
| | 2022 | 2021 |
| Operating expenses – Expected credit (loss) gains | | |
| Account receivables | \$750 | \$2,645 |
| Overdue receivables | - | 2,221 |
| Long-term receivables | 1,482 | 7,435 |
| Subtotal | 2,232 | 12,301 |
| Non-operating income and expenses - expected credit losses/(gains) | | |
| Other receivable | - | 1,410 |
| Total | \$2,232 | \$13,711 |

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2022, 31 December 2021 are as follows:

As of 31 December 2022

Group 1

| | Not yet due | Overdue | | | | | Total |
|---------------------------------|-------------|-----------|-------------|--------------|--------------|-------------|-----------|
| | | 0-90 days | 91-180 days | 181-270 days | 271-365 days | >= 366 days | |
| Gross carrying amount | \$237,455 | \$2,835 | \$1 | \$3 | \$168 | \$1,126 | \$241,588 |
| Loss rate | 0.2% | - % | - % | 5% | 5% | 100% | |
| Lifetime expected credit losses | (611) | - | - | - | - | (1,126) | (1,737) |
| Net carrying amount | \$236,844 | \$2,835 | \$1 | \$3 | \$168 | \$ - | \$239,851 |

Group 2 : None

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As of 31 December 2021

Group 1

| | Not yet due | Overdue | | | | | Total |
|--------------------------------|------------------|-----------------|----------------|-----------------|-----------------|----------------|------------------|
| | | 0-90 days | 91-180 days | 181-270 days | 271-365 days | >= 366 days | |
| Gross carrying amount | \$256,446 | \$33,242 | \$6,856 | \$ - | \$ - | \$1,110 | \$297,654 |
| Loss rate | - % | - % | - % | 5% | 5% | 100% | |
| Life time expected credit loss | (611) | - | - | - | - | (1,110) | (1,721) |
| Net carrying amount | <u>\$255,835</u> | <u>\$33,242</u> | <u>\$6,856</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$295,933</u> |

Group 2

| | Not yet due | Overdue | | | | |
|--------------------------------|-------------|---------|---------|---------|--------|----------|
| | | 91-180 | 181-270 | 271-365 | >= 366 | |
| | 0-90 days | days | days | days | days | Total |
| Gross carrying amount | \$ - | \$ - | \$ - | \$ - | \$ - | \$34,913 |
| Loss rate | - | - | - | - | - | (20,130) |
| Life time expected credit loss | \$ - | \$ - | \$ - | \$ - | \$ - | \$14,783 |

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The movement in the impairment provision of note receivables and trade receivables for the years ended 31 December 2022 and 2021 is as follows:

| | Note receivables | Trade receivables | Overdue receivable | Long-term receivables |
|------------------------------------|---------------------|----------------------|-----------------------|--------------------------|
| As of 1 January 2022 | \$907 | \$3,855 | \$271,374 | \$17,089 |
| Addition for the current period | - | 750 | - | 1,482 |
| Reclassification | - | (3,790) | 22,361 | (18,571) |
| Exchange difference | - | 15 | - | - |
| As of 31 December 2022 | <u>\$907</u> | <u>\$830</u> | <u>\$293,735</u> | <u>\$ -</u> |
| As of 1 January 2021 | \$907 | \$4,002 | \$266,363 | \$9,654 |
| Addition for the current period | - | 2,645 | 2,221 | 7,435 |
| Reclassification | - | (2,790) | 2,790 | - |
| Exchange difference | - | (2) | - | - |
| As of 31 December 2021 | <u>\$907</u> | <u>\$3,855</u> | <u>\$271,374</u> | <u>\$17,089</u> |

(14) Leases

A. The Group is a lessee

The Group leases various properties, including land, buildings, transportation equipment and other equipment. The lease terms range from 20 to 39 years.

The impact of Group's leases on the financial position, financial performance and cash flows is as follows:

(a) Amounts recognized in the balance sheet

Right-of-use asset

| | As of 31 December | |
|------|-------------------|------------------|
| | 2022 | 2021 |
| Land | <u>\$156,293</u> | <u>\$156,984</u> |

There has been no addition to the Group's right-to-use assets for the years ended 31 December 2022 and 2021.

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(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended 31 December | |
|------|---------------------------------|----------------|
| | 2022 | 2021 |
| Land | <u>\$4,627</u> | <u>\$4,524</u> |

(c) Income and costs relating to leasing activities

| | For the years ended 31 December | |
|--|---------------------------------|--------------|
| | 2022 | 2021 |
| The expenses relating to short-term leases | <u>\$623</u> | <u>\$380</u> |

(d) Cash outflow relating to leasing activities

The Group's total cash outflow from leases amounted to \$623 thousand and \$380 thousand for the years ended 31 December 2022 and 2021.

B. Group as a lessor

Please refer to Note 6.10 for details on the Group's owned investment properties and investment properties held by the Group as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

| | For the years ended 31 December | |
|---|---------------------------------|----------------|
| | 2022 | 2021 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | <u>\$8,347</u> | <u>\$4,804</u> |

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(15) Summary statement of employee benefits, depreciation and amortization expenses by function:

| Nature \ Function | For the years ended 31 December | | | | | |
|----------------------------|---------------------------------|--------------------|--------------|-----------------|--------------------|--------------|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense | | | | | | |
| Salaries | \$60,413 | \$46,659 | \$107,072 | \$49,330 | \$45,421 | \$94,751 |
| Labor and health insurance | 6,315 | 3,712 | 10,027 | 5,013 | 3,769 | 8,782 |
| Pension | 678 | 1,680 | 2,358 | 685 | 1,823 | 2,508 |
| Other employee benefits | 3,074 | 1,418 | 4,492 | 3,015 | 1,565 | 4,580 |
| Depreciation | 32,839 | 23,900 | 56,739 | 31,844 | 24,266 | 56,110 |
| Amortization | 3 | 139 | 142 | - | 124 | 124 |

The number of employees for Company and its subsidiaries were 277 and 250 as of 31 December 2022 and 2021.

According to the Articles of Incorporation, at least 1% of profit of the current year is distributable as employees' compensation and no higher than 8% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profit of the period ended 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2022 to be 6.24% and 3.48% of profit, respectively. As such, employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2022 amount to \$1,862 thousand and \$1,040 thousand, respectively. A resolution was passed at a Board of Directors meeting held on 9 March 2023 to distribute \$1,862 thousand and \$1,040 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2022.

The amounts allocated to the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 were \$564 thousand and \$534 thousand, respectively. There was no difference between these amounts and the amounts recorded as expenses in the financial statements for the year ended 31 December 2021.

(16) Non-operating income and expenses

A. Interest income

| | For the years ended 31 December | |
|---|------------------------------------|-------|
| | 2022 | 2021 |
| Financial assets measured at amortized cost | \$630 | \$179 |

B. Other income

| | For the years ended 31 December | |
|------------------|------------------------------------|----------|
| | 2022 | 2021 |
| Government grant | \$4,815 | \$7,645 |
| Rental income | 8,347 | 4,804 |
| Sample income | 4,042 | 1,589 |
| Others | 2,689 | 2,996 |
| Total | \$19,893 | \$17,034 |

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C. Other gains and loss

| | For the years ended 31 December | |
|---|------------------------------------|------------------|
| | 2022 | 2021 |
| (Loss) gains on disposal of property, plant and equipment | \$(174) | \$(8,065) |
| Foreign exchange gains, net | 6,592 | (4,129) |
| Reversal of gain on impairment of non-financial assets | 174 | 8,796 |
| Processing fee expenses | (1,625) | (1,673) |
| Miscellaneous expenses | (824) | (514) |
| Total | <u>\$4,143</u> | <u>\$(5,585)</u> |

D. Finance costs

| | For the years ended 31 December | |
|-------------------------------|------------------------------------|-----------------|
| | 2022 | 2021 |
| Interest on bank loans | \$19,255 | \$18,236 |
| Interest on lease liabilities | - | - |
| Total | <u>\$19,255</u> | <u>\$18,236</u> |

(17) Components of other comprehensive income

(a) For the year ended 31 December 2022

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income (loss), before tax | Income tax effect | Other comprehensive income (loss), net of tax |
|--|---------------------------------|--|--|----------------------|--|
| Items not to be reclassified to profit or loss subsequently: | | | | | |
| Remeasurement of defined benefit plans | \$1,112 | \$ - | \$1,112 | \$(222) | \$890 |
| Items that may be reclassified to profit or loss subsequently: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | 25,950 | - | 25,950 | - | 25,950 |
| Total of other comprehensive income | <u>\$27,062</u> | <u>\$ -</u> | <u>\$27,062</u> | <u>\$(222)</u> | <u>\$26,840</u> |

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(b) For the year ended 31 December 2021

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income (loss), before tax | Income tax effect | Other comprehensive income (loss), net of tax |
|--|---------------------------------|--|--|-------------------------|--|
| Items not to be reclassified to profit or loss subsequently: | | | | | |
| Remeasurement of defined benefit plans | \$(385) | \$ - | \$(385) | \$77 | \$(308) |
| Items that may be reclassified to profit or loss subsequently: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (27,388) | - | (27,388) | (3,942) | (31,330) |
| Total of other comprehensive income | <u>\$(27,773)</u> | <u>\$ -</u> | <u>\$(27,773)</u> | <u>\$(3,865)</u> | <u>(31,638)</u> |

(18) Income tax

For the year ended 31 December 2022 and 2021 the major components of income tax (expense) benefit are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended 31 December | |
|--|------------------------------------|----------------|
| | 2022 | 2021 |
| Current income tax (expense) benefit: | | |
| Current income tax charge | \$(2,248) | \$(693) |
| Adjustments in respect of current income tax of prior periods | 5,130 | 6,219 |
| Deferred tax (expense) benefit: | | |
| Deferred tax (expense) benefit relating to origination and reversal of temporary differences | 524 | 589 |
| Total income tax (expense) benefit | <u>\$3,406</u> | <u>\$6,115</u> |

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Income tax relating to components of other comprehensive income

| | For the years ended 31 December | |
|---|------------------------------------|-----------------------|
| | 2022 | 2021 |
| Deferred income tax (expense) benefit: | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | \$ - | \$3,942 |
| Actuarial gains and losses on defined benefit plans | (222) | (77) |
| Income tax relating to components of other comprehensive income | <u><u>\$(222)</u></u> | <u><u>\$3,865</u></u> |

Reconciliation between tax expense (benefit) and accounting profit at the Company's applicable tax rates is as follows:

| | For the years ended 31 December | |
|---|------------------------------------|------------------------|
| | 2022 | 2021 |
| Accounting profit before tax from continuing operations | <u><u>\$23,950</u></u> | <u><u>\$37,349</u></u> |
| At the Company's statutory income rate | \$(4,789) | \$(7,470) |
| Tax effect of different tax rates applied to individual entities operating in other tax jurisdictions | (2,629) | (948) |
| Tax effect of non-deductible expenses | (108) | (1,193) |
| Unrecognized tax losses / deductible temporary differences | 5,802 | 9,507 |
| Adjustments in respect of current income tax of prior periods | 5,130 | 6,219 |
| Total income tax income recognized in profit or loss | <u><u>\$ 3,406</u></u> | <u><u>\$6,115</u></u> |

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
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Significant components of deferred tax assets (liabilities) are as follows:

For the year ended 31 December 2022

| | Balance as of 1 January | Recognized in profit or loss | Recognized in other comprehensive income | Balance as of 31 December |
|---|----------------------------|------------------------------------|--|------------------------------|
| Temporary difference | | | | |
| Loss from price reduction of inventories | \$4,931 | \$72 | \$ - | \$5,003 |
| Unrealized foreign exchange gains or losses | 27 | 540 | - | 567 |
| Impairment of non-financial assets | 9,850 | (35) | - | 9,815 |
| Property, plant and equipment - accumulated depreciation | (11,307) | (118) | - | (11,425) |
| Exchange differences resulting from translating the financial statements of a foreign operation | - | - | - | - |
| Net defined benefit liabilities - non-current | 624 | (63) | - | 561 |
| Actuarial gains and losses on defined benefits | (952) | - | (222) | (1,174) |
| Unrealized intra-group transactions | (69) | 128 | - | 59 |
| Deferred income tax benefit /(expense) | | \$524 | \$(222) | |
| Net deferred income tax assets/(liabilities) | \$3,104 | | | \$3,406 |
| Balances on 31 December 2021: | | | | |
| Deferred tax assets | \$15,422 | | | \$15,962 |
| Deferred tax liabilities | \$(12,318) | | | \$(12,556) |

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For the year ended 31 December 2021

| | Balance as of 1 January | Recognized in profit or loss | Recognized in other comprehensive income | Balance as of 31 December |
|---|----------------------------|------------------------------------|--|------------------------------|
| Temporary difference | | | | |
| Loss from price reduction of inventories | \$4,760 | \$171 | \$ - | \$4,931 |
| Unrealized foreign exchange gains or losses | (536) | 563 | - | 27 |
| Impairment of non-financial assets | 9,850 | - | - | 9,850 |
| Property, plant and equipment - accumulated depreciation | (11,180) | (127) | - | (11,307) |
| Exchange differences resulting from translating the financial statements of a foreign operation | 3,942 | - | (3,942) | - |
| Net defined benefit liabilities - non-current | 688 | (64) | - | 624 |
| Actuarial gains and losses on defined benefits | (1,029) | - | 77 | (952) |
| Unrealized intra-group transactions | (115) | 46 | - | (69) |
| Deferred income tax benefit /(expense) | | \$589 | \$(3,865) | |
| Net deferred income tax assets/(liabilities) | \$6,380 | | | \$3,104 |
| Balances on 31 December 2021: | | | | |
| Deferred tax assets | \$19,264 | | | \$15,422 |
| Deferred tax liabilities | \$(12,884) | | | \$(12,318) |

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The following table contains information of the unused tax losses of the Group:

| Year | Unused tax loss as of | | Expiration Year |
|-------|-----------------------|---------------------|-----------------|
| | 31 December 2022 | 31 December 2021 | |
| 2012 | 136,625 | 174,329 | 2022 |
| 2013 | 144,777 | 144,777 | 2023 |
| 2014 | 63,285 | 63,285 | 2024 |
| 2015 | 38,529 | 38,529 | 2025 |
| 2016 | 167,247 | 167,247 | 2026 |
| 2017 | 47,836 | 47,836 | 2027 |
| 2018 | 16,215 | 16,215 | 2028 |
| 2019 | 4,264 | 4,264 | 2029 |
| 2020 | 39,407 | 39,407 | 2030 |
| Total | <u>\$658,185</u> | <u>\$695,889</u> | |

Unrecognized deferred tax assets

As of 31 December 2022 and 2021, deferred tax assets that have not been recognized amount to NT\$130,308 thousand and NT\$150,014 thousand, respectively.

The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|--|---|
| The Company | Approved up to 2019 |
| Subsidiary -Pontex(Q.Y) Polyblend Co.,Ltd | Assessed up to 2021 |
| Subsidiary -VietNam Bang Thai Polyblend Co.,Ltd | Assessed up to 2021 |

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(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the years attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | For the years ended 31 December | |
|---|---------------------------------|----------|
| | 2022 | 2021 |
| Basic earnings per share | | |
| Net (loss) income attributable to the parent company (in thousands of NTD) | \$27,356 | \$43,464 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares) | 84,300 | 84,300 |
| Basic (loss) earnings per share (NTD) | \$0.32 | \$0.52 |
| | | |
| | For the years ended 31 December | |
| | 2022 | 2021 |
| Diluted earnings per share | | |
| Net (loss) income attributable to the parent company (in thousands of NTD) | \$27,356 | \$43,464 |
| Net (loss) income attributable to the parent company after dilution (in thousands of NTD) | \$27,356 | \$43,464 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares) | 84,300 | 84,300 |
| Effect of dilution: | | |
| Employees' compensation – stock (thousand shares) | 146 | - |
| Weighted average number of ordinary shares after dilution (thousand shares) | 84,446 | 84,300 |
| Diluted earnings per share (NTD) | \$0.32 | \$0.52 |

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The calculation of the Company's diluted earnings (loss) per share is consistent with the calculation of basic earnings (loss) per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

(1) Key management personnel compensation

| | For the years ended | |
|------------------------------|---------------------|----------|
| | 31, December | |
| | 2022 | 2021 |
| Short-term employee benefits | \$15,131 | \$14,117 |

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

| Items | Carrying amount | | Secured liabilities |
|--|-----------------|-----------|---------------------------|
| | As of 31 | As of 31 | |
| | December | December | |
| | 2022 | 2021 | |
| Other current financial assets | \$30,787 | \$31,318 | Short-term loans |
| Property, plant and equipment - land and buildings | 384,374 | 386,459 | Long and short-term loans |
| Total | \$415,161 | \$417,777 | |

9. Significant contingencies and unrecognized contractual commitments

(1) Amounts available under unused letters of credit as of 31 December 2022 are NT\$7,850 thousand.

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- (2) Notes payable used as security for borrowings, processing and research and development that has not be recovered for cancellation as of 31 Deceber 2022 are NT\$448,000 thousand.
- (3) In July 2016, the Securities and Futures Investor Protection Centre (hereinafter referred to as the “SFIPC”) filed a class action lawsuit on behalf of the Company's investors against the Company's former Chairman for his unauthorized investment in Suzhou Shangbang Optoelectronics Co., Ltd. without the approval of the Board of Directors, on the ground that the financial statements for the period from the fourth quarter of 2010 to the second quarter of 2012 were false and omitted and claimed for the Company for joint and several liability. According to the Company's assessment, the investment in Shangbang Co. was a personal wrongdoing of the former chairman in breach of his appointment and there were no false and omission in the financial statements. Given that Shangbang was not invested by the Company, the basis of the claim against the Company did not exist. The lawsuit was dismissed by the Taiwan Taichung District Court on 25 October 2018, which ruled against the SFIPC. However, the SFIPC filed an appeal on 26 December 2018, and on 27 May 2020, the Taiwan High Court Taichung Branch Court ruled that the Company and the other appellees were liable for a total compensation of \$62,248 thousand. On 16 June 2020, the Company's attorney filed an appeal to the Taiwan High Court against the ruling of the second trial, which was inconsistent with the interpretation of the law and the findings of fact. As the appellees in the second trial and the SFIPC have filed appeals in the third trial, based on the objective facts, the Supreme Court will most likely to annul the ruling of the second trial and order for a retrial. Therefore, the original ruling against the Company and others in the second trial will cease to exist and the legal position will be reverted to that of the first trial in which the Court ruled against the SFIPC. As at the reporting date of the financial statements, the litigation is still in progress hence the result of the case is not confirmed and it is not possible to predict the exact amount of compensation that may be claimed or awarded.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
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10. Losses due to major disasters

None.

11. Significant subsequent events

On 2 June 2022, the Group's shareholders' meeting approved the issuance of additional shares of common stock in three private placements of up to 30,000 thousand shares over a period of one year, in order to fund its working capital and repayment of loans. The Board of Directors resolved on 9 March 2023 that the pricing date for the Private Placement is to be set.

The price for the private placement of new shares is set at NT\$10 per share and the total amount to be raised is expected to be NT\$170,000 thousand. The base date for the private placement of additional capital is set at 23 March 2023, and the Chairman is authorized to make necessary adjustments. As of 9 March 2023, The relevant procedures are still in progress.

12. Other

(1) Categories of financial instruments

Financial assets

| | As of 31 December | |
|--|-------------------|-----------|
| | 2022 | 2021 |
| Financial assets measured at amortized cost (Note) | \$460,102 | \$449,407 |

Financial liabilities

| | As of 31 December | |
|--|-------------------|-----------|
| | 2022 | 2021 |
| Financial liabilities at amortized cost: | | |
| Short-term loans | \$427,749 | \$452,453 |
| Trade and other payables | 67,573 | 92,135 |
| Long-term borrowings (including current portion) | 331,250 | 380,993 |
| Total | \$826,572 | \$925,581 |

Note : Including cash and cash equivalents (not including cash on hand), notes receivable, trade receivables, other receivables and other current financial assets.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
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(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
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The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period.

The Group's foreign currency risk is mainly related to the volatility in the exchange rates for NTD and USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the impact on the profit and equity on the Group is as follows:.

| | <u>Equity (loss)</u> | <u>Profit / loss</u> |
|--------------------------------------|----------------------|----------------------|
| For the years ended 31 December 2022 | \$ - | \$944 |
| For the years ended 31 December 2021 | - | \$784 |

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the twelve months periods ended 31 December 2022 and 2021 to decrease by NT\$759K and NT\$833K, respectively.

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(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 31 December 2021 trade receivables from top ten customers represent 61% and 56% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

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Non-derivative financial liabilities

| | <u>Less than 1 year</u> | <u>2 to 3 years</u> | <u>4 to 5 years</u> | <u>> 5 years</u> | <u>Total</u> |
|---------------------------|-------------------------|---------------------|---------------------|---------------------|--------------|
| As of 31 December 2022 | | | | | |
| Long and short-term loans | \$512,570 | \$262,314 | \$7,120 | \$ - | \$782,004 |
| Trade and other payables | 67,573 | - | - | - | 67,573 |
| As of 31 December 2021 | | | | | |
| Long and short-term loans | \$517,934 | \$146,141 | \$193,053 | \$ - | \$857,128 |
| Trade and other payables | 92,135 | - | - | - | 92,135 |

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

| | <u>Short-term loans</u> | <u>Long-term loans (including current portion)</u> | <u>Total liabilities from financing activities</u> |
|------------------------|-------------------------|--|--|
| As of 1 January 2022 | \$452,453 | \$380,993 | \$833,446 |
| Cash flows | (26,187) | (49,743) | (75,930) |
| Non-cash changes | 1,483 | - | 1,483 |
| As of 31 December 2022 | <u>\$427,749</u> | <u>\$331,250</u> | <u>\$758,999</u> |

Reconciliation of liabilities for the year ended 31 December 2021:

| | <u>Short-term loans</u> | <u>Long-term loans (including current portion)</u> | <u>Total liabilities from financing activities</u> |
|------------------------|-------------------------|--|--|
| As of 1 January 2021 | \$388,235 | \$449,135 | \$837,370 |
| Cash flows | 66,182 | (72,288) | (6,106) |
| Non-cash changes | (1,964) | 4,146 | 2,182 |
| As of 31 December 2021 | <u>\$452,453</u> | <u>\$380,993</u> | <u>\$833,446</u> |

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(7) Fair values of financial instruments

- A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.8 for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2022: None.

As of 31 December 2021: None.

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, there were no re-classifications between Level 1 and Level 2 fair value measurements. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | | | | Unit: NT\$ thousands | | |
|------------------------------|-----------------------|-----------------------------|-----------|------------------------|-----------------------------|-----------|
| As at 31 December 2022 | | | | As at 31 December 2021 | | |
| | Foreign currencies | Foreign exchange rate | NTD | Foreign currencies | Foreign exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$3,798 | 30.715 | \$116,656 | \$3,688 | 27.680 | \$102,084 |
| CNY | 18,525 | 4.409 | 81,677 | 21,248 | 4.344 | 92,301 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$723 | 30.715 | \$22,207 | \$855 | 27.680 | \$23,666 |
| CNY | 3,886 | 4.409 | 17,133 | 4,140 | 4.344 | 17,984 |

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT\$6,592 thousand and NT\$(4,129) thousand for foreign exchange profit (loss) for the years ended 31 December 2022 and 2021, respectively.

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(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

A. Financing provided:

| No. | Financing Company | Counterparty | Financial Statement Account | Maximum balance for the period | Ending Balance(Limit approved by the Board) | Amount Actually Drawn | Interest rate | Nature for Financing (Note 1) | Transaction Amounts | Reason for short-term financing | Allowance for bad debt | Collateral | Financing limits for each borrowing company (Note 2) | | Financing Company's Total Financing Amount Limits (Note 3) | Maximum balance for the period |
|-----|-------------------------------------|--------------------------|---------------------------------------|--------------------------------|---|-----------------------|---------------|-------------------------------|---------------------|---------------------------------|------------------------|------------|--|-------|--|--------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | VietNam Bang Thai Polyblend Co.,Ltd | PONTEX POLYBLEND CO.,LTD | Account receivables – related parties | Y | \$23,061 | \$- | \$ - | 0% | 2 | \$ - | Operating capital | \$ - | N | \$ - | \$98,218 | \$220,991 |

Note 1 : 1 represents business transactions and 2 represents the necessity of short-term financing.

Note 2 : The limit shall not exceed 40% of the net value of the Company's financial statements as last audited or reviewed by the CPA. However, the individual limit on the lending of funds between foreign companies in which the Company directly or indirectly holds 100% of the voting shares shall not exceed 90% of the net value of the most recent financial statements of the Company.

Note 3 : Shall not exceed 90% of the net value of the financial statements of the Company as last audited or reviewed by the CPA.

Note 4 : Pontex Polyblend Co., Ltd. has repaid USD750,795.71 to VietNam Bang Thai Polyblend Co., Ltd on 25 August 2022.

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B. Endorsement/Guarantee provided:

| No. | Endorsement/ guarantee provider (Company name) | Guaranteed party | | Limits on endorsement / guarantee amount provided to each guaranteed party (Notes 1 and 2) | Maximum Balance For the Period | Ending balance | Amount actually drawn | Amount of endorsemen t/ guarantee collateraliz ed by properties | Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements | Maximum endorsemen t/ guarantee amount allowable (Note 2) | Guarantee provided by Parent Company | Guarantee provided by a subsidiary | Guarantee provided to subsidiaries in China |
|-----|--|---|---------------------------|--|---|-------------------|-----------------------------|--|---|--|--|---|--|
| | | Name | Nature of relationship | | | | | | | | | | |
| 1 | The company | VietNam Bang Thai Polyblend Co.,Ltd | Third-tier subsidiary | \$502,721 | \$40,544 | \$40,544 | \$40,544 | - | 4.84 | \$670,295 | Y | N | N |

Note 1 : The total amount of the endorsement/guarantee provided to a single entity shall not exceed 60% of the net worth of the Company.

Note 2 : The maximum amount of the endorsement/ guarantee is limited to 80% of the net equity of the Company's most recent financial statements.

C. Securities held as at end of the period Not including investments in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the period: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the period: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the period: None.

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G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the period:

| Company name (Note) | Related party | Nature of relationships | Transaction Details | | | | Circumstances under which the terms differ from those of ordinary transactions and the reasons | | Notes/accounts payable or receivable | | Note |
|-------------------------------------|-------------------------------------|---------------------------|---------------------|-------------|------------------------------|---------------|--|---------------|--------------------------------------|----------------------------------|------|
| | | | Purchases/sales | Amount | % to total (sales) purchases | Payment terms | Unit Price | Payment Terms | Ending balance | % to Total (receivable)/ payable | |
| The company | VietNam Bang Thai Polyblend Co.,Ltd | Parent and sub-subsidiary | Purchase | \$137,394 | 18.62% | Ordinary | Ordinary | Ordinary | \$(82,567) | (45.41)% | |
| VietNam Bang Thai Polyblend Co.,Ltd | The company | Parent and sub-subsidiary | Sales | \$(137,394) | (77.89)% | Ordinary | Ordinary | Ordinary | \$82,567 | 97.27% | |

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as at end of the period: None.

I. Financial instruments and derivative transactions: None

J. The business relationship, significant transactions and amounts between parent company and subsidiaries:

| No. (Note 1) | Company name (Note 2) | Counterparty | Nature of relationships (Note 2) | Transaction details | | | |
|-----------------|--------------------------|-------------------------------------|-------------------------------------|-----------------------------|--------------------|---------------------------|---|
| | | | | Financial statement account | Amount (Note 3) | Payment terms (Note 4) | % to total operating revenue or total assets (Note 5) |
| 0 | The company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Sales | \$65,306 | - | 6.05% |
| 0 | The company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Accounts receivable | \$7,165 | - | 0.42% |
| 0 | The company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Purchase | \$47,699 | - | 4.42% |
| 0 | The company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Accounts payable | \$48,610 | - | 2.82% |
| 0 | The company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Sales | \$9,850 | - | 0.91% |

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| No. (Note 1) | Company name (Note 2) | Counterparty | Nature of relationships (Note 2) | Transaction details | | | |
|-----------------|---|---|--|-----------------------------------|--------------------|---------------------------|---|
| | | | | Financial statement account | Amount (Note 3) | Payment terms (Note 4) | % to total operating revenue or total assets (Note 5) |
| 0 | The company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Purchase | \$137,394 | - | 12.73% |
| 0 | The company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Accounts payable | \$82,567 | - | 4.80% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The company | 2 | Purchase | \$65,306 | - | 6.05% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The company | 2 | Accounts payable | \$7,165 | - | 0.42% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The company | 2 | Sales | \$47,699 | - | 4.42% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The company | 2 | Accounts receivable | \$48,610 | - | 2.82% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The company | 2 | Purchase | \$9,850 | - | 0.91% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The company | 2 | Sales | \$137,394 | - | 12.73% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The company | 2 | Accounts receivable | \$82,567 | - | 4.80% |

Note 1 : Information on business transactions between the parent company and the subsidiaries should be indicated separately in the numbered column as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially by company, starting with the Arabic numeral 1.

Note 2 : There are three types of relationship between the parties to the transaction, which can be identified as follows:

1. Parent company to a subsidiary.
2. A subsidiary to parent company.
3. A subsidiary to a subsidiary.

Note 3 : In accordance with the provisions of the letter of the Accounting Research And Development Foundation Interpretation 87-076, the transactions between the Company and Pontex(Q.Y) was subject to the accounting treatment for processing subcontract, and the amount of purchase and sales in this column is presented based on the actual amount of transaction before the offsetting of the Company's purchase and sales.

Note 4 : The term is determined based on the capital requirements of the subsidiaries and is not materially different from that of general customers.

Note 5 : The percentage of total amount of transactions to total consolidated operating revenues or total assets is calculated as the ending balance to total consolidated assets for assets and liabilities accounts, or as the cumulative amount to total consolidated operating revenues for profit and loss accounts.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2021
(Not including investments in mainland China):

(In Thousands of New Taiwan Dollars)

| Investor company | Investee company | Address | Main businesses and products | Initial investment amount | | Investment as at end of the period | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|--------------------------------|-------------------------------------|------------|---|-----------------------------|-----------------------------|------------------------------------|-----------------------------|----------------|---------------------------------------|--|--|
| | | | | Ending balance | Beginning balance | Number of shares | Percentage of ownership (%) | Carrying value | | | |
| The company | Mulitex Polyblend co., LTD. | Samoa | Holding company. | \$193,174 (USD6,000,020) | \$193,174 (USD6,000,020) | 6,000,020 | 100% | \$462,172 | \$36,464 | \$36,202 (Note 1) (Note 2) | A subsidiary of the Company |
| The company | Polytech Global Limited | Seychelles | Holding company. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$292,493 | \$19,123 | \$18,722 (Note 1) (Note 2) (Note 3) | A subsidiary of the Company |
| Polytech Global Limited | Cleated Molding Global Limited | Seychelles | Holding company. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$282,021 | \$19,123 | \$19,123 (Note 1) | A sub-subsidiary of the Company |
| Cleated Molding Global Limited | VietNam Bang Thai Polyblend Co.,Ltd | Vietnam | Manufacture and sale of plastic pellets, plastic sports equipment together with parts thereof, shoes, shoe materials and parts thereof, and moulds. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$282,019 | \$20,236 | \$19,122 (Note 1) (Note 3) | A third tier sub-subsidiary of the Company |

Note 1 : The recognized investment gains and losses for the current period include the investment gains and losses that are required to be recognized for the investment.

Note 2 : The investment gains and losses recognized in the current period include the effect of downstream transactions.

Note 3 : The investment gains and losses recognized in the current period include the effect of premiums on equity.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in mainland China

(a) Investment in Mainland China:

(In Thousands of New Taiwan Dollars)

| Investee Company | Main businesses and products | Total amount of paid-in capital | Method of investment | Beginning accumulated outflow of investment from Taiwan | Investment flows for the period | | Ending accumulated outflow of investment from Taiwan | Net income (loss) of investee Company | Percentage of ownership | Investment income (loss) recognized (Note1) | Carrying value as at end of the period | Accumulated inward remittance of earnings as at end of the period |
|-------------------------------|---|---------------------------------|--|---|---------------------------------|--------|--|---------------------------------------|-------------------------|---|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Pontex(Q.Y) Polyblend Co.,Ltd | Manufacture and sale of plastic pellets, plastic sports equipment together with parts thereof, shoes, shoe materials and parts thereof, and moulds. | \$193,174 RMB 44,325,843 | Investment in China through a company in the third region (MULTITEX POLYBLEND CO., LTD.) | \$193,174 (USD6,000,020) | \$ - | \$ - | \$193,174 (USD6,000,020) | \$36,458 | 100% | \$36,458 | \$463,822 | \$ - |

Note : The investment gains and losses recognized in the current period are based on the financial statements of the investees audited by the CPA of the parent company in Taiwan.

| Accumulated investment in Mainland China as of 31 December 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|--|---|
| | | The parent company's net account values × 60% |
| \$193,174 (USD6,000,020) | \$511,240 (USD17,081,509) | 502,721 |

(b) Directly or indirectly significant transactions including the prices, payment term and unrealized gain or loss through third regions with the investees in Mainland China:

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- I. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Refer to Note 13.1(10).
- II. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Refer to Note 13.1(10).
- III. The amount of property transactions and the amount of the resultant gains or losses: None.
- IV. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- V. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- VI. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Information of major shareholders

As of 31 December 2022

| Shares Main shareholder | Number of shares held | Percentage of ownership (%) |
|---------------------------------------|--------------------------|--------------------------------|
| HENRY GLOBAL INVEST MENT CO., LTD. | 5,000,000 | 5.93% |

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

Equipment Business Segment: This segment is responsible for the manufacturing and processing of various plastic injection mouldings (shoe soles and parts, sports equipment and parts).

Compound Materials Business Segment: The segment is responsible for the manufacture, processing and trading of engineering plastic materials (glass/fire resistant compounds, nylon 6 and nylon 66 cold impact resistant materials and plastic compounds for fire resistant materials).

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) Information on reportable segment profit or loss and assets and liabilities

Period ended 31 December 2022

| | Equipment Business Segment | Compound Materials Business Segment | Subtotal | Other operating segments | Adjustment and elimination | Consolidated |
|--|-------------------------------|--|--------------------|-----------------------------|-------------------------------|--------------------|
| Revenue | | | | | | |
| External customer | \$278,675 | \$801,002 | \$1,079,677 | \$ - | \$ - | \$1,079,677 |
| Inter-segment | 186,943 | 3,759 | 190,702 | - | (190,702) | - |
| Total revenue | <u>\$465,618</u> | <u>\$804,761</u> | <u>\$1,270,379</u> | <u>\$ -</u> | <u>\$(190,702)</u> | <u>\$1,079,677</u> |
| Interest expense | (1,295) | (17,960) | (19,255) | - | - | (19,255) |
| Depreciation and impairment | (23,767) | (32,170) | (55,937) | - | (944) | (56,881) |
| Segment profit | <u>\$98,839</u> | <u>\$(19,175)</u> | <u>\$79,664</u> | <u>\$ -</u> | <u>\$(55,714)</u> | <u>\$23,950</u> |
| Assets | | | | | | |
| Capital expenditure on non-current assets | (4,843) | (6,210) | (11,053) | (757) | - | (11,810) |
| Segment assets | <u>\$1,170,809</u> | <u>\$952,433</u> | <u>\$2,123,242</u> | <u>\$494,625</u> | <u>\$(896,828)</u> | <u>\$1,721,039</u> |
| Segment liabilities | <u>\$193,512</u> | <u>\$193,393</u> | <u>\$386,905</u> | <u>\$646,384</u> | <u>\$(150,119)</u> | <u>\$883,170</u> |

Period ended 31 December 2021

| | Equipment Business Segment | Compound Materials Business Segment | Subtotal | Other operating segments | Adjustment and elimination | Consolidated |
|--|-------------------------------|--|--------------------|-----------------------------|-------------------------------|--------------------|
| Revenue | | | | | | |
| External customer | \$243,653 | \$1,135,550 | \$1,379,203 | \$ - | \$ - | \$1,379,203 |
| Inter-segment | 153,708 | 4,348 | 158,056 | - | (158,056) | - |
| Total revenue | <u>\$397,361</u> | <u>\$1,139,898</u> | <u>\$1,537,259</u> | <u>\$ -</u> | <u>\$(158,056)</u> | <u>\$1,379,203</u> |
| Interest expense | (1,304) | (16,932) | (18,236) | - | - | (18,236) |
| Depreciation and impairment | (22,389) | (32,789) | (55,178) | - | (1,056) | (56,234) |
| Segment profit | <u>\$33,117</u> | <u>\$37,959</u> | <u>\$71,076</u> | <u>\$ -</u> | <u>\$(33,727)</u> | <u>\$37,349</u> |
| Assets | | | | | | |
| Capital expenditure on non-current assets | (7,137) | (11,499) | (18,636) | (172) | - | (18,808) |
| Segment assets | <u>\$1,267,078</u> | <u>\$821,371</u> | <u>\$2,088,449</u> | <u>\$520,501</u> | <u>\$(841,206)</u> | <u>\$1,767,744</u> |
| Segment liabilities | <u>\$167,323</u> | <u>\$302,134</u> | <u>\$469,457</u> | <u>\$630,768</u> | <u>\$(116,154)</u> | <u>\$984,071</u> |

¹ Inter-segment revenue are eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations are disclosed below.

PONTEX POLYBLEND CO., LTD. AND SUBSIDIARIES (Continued)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Geographic information

(i) The Group's external sales are listed as follows:

| | For the years ended 31 December | |
|---------------|------------------------------------|--------------------|
| | 2022 | 2021 |
| China | \$351,477 | \$343,253 |
| Taiwan | 466,176 | 610,631 |
| United States | 98,252 | 238,504 |
| Other | 163,772 | 186,815 |
| Total | <u>\$1,079,677</u> | <u>\$1,379,203</u> |

Sales by region are grouped based on the regions where the customers are located at.

(ii) Non-current asset:

| | As of 31 December | |
|--------|-------------------|------------------|
| | 2022 | 2021 |
| Taiwan | \$482,969 | \$516,460 |
| China | 253,699 | 269,652 |
| Other | 202,093 | 190,235 |
| Total | <u>\$938,761</u> | <u>\$976,347</u> |

Non-current assets do not include deferred income tax assets and net defined benefit assets - non-current.

(3) Information about major customers

The Group's revenue from sales to a single customer as a percentage of net operating revenue of more than 10% for the years ended 31 December 2022 and 2021 is as follows:

| Customer name | For the years ended 31 December | | | |
|------------------|---------------------------------|--------|-----------|--------|
| | 2022 | | 2021 | |
| | Net sales | % | Net sales | % |
| Company A | \$146,269 | 13.55% | \$238,504 | 17.29% |
| Company B | 119,692 | 11.09% | 196,189 | 14.22% |

5. A Parent Company Only Financial Statement for the Most Recent Fiscal Year, Certified by a CPA, but Not Including the Statements of Major Accounting Items:

Independent Auditors' Report Translated from Chinese

To PONTEX POLYBLEND CO.,LTD

Opinion

We have audited the accompanying parent company only balance sheets of PONTEX POLYBLEND CO.,LTD (the "Company") as of 31 December 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2022 and 2021, and their parent company only financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Parent Company Only 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2022 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of 31 December 2022, gross accounts receivable and loss allowance by the Company amounted to NT\$189,627 thousand and NT\$611 thousand, respectively. Net accounts receivable accounted for 10% of total assets. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of allowance for loss policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook expected; investigating accounts receivable details, recalculating the reasonableness of allowance for loss based on the expected credit companies, and the expected loss rate by management assessing; evaluating individually the reasonableness of the impairment of accounts receivable long overdue and its collection in subsequent period.

We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

Inventory valuation

As of 31 December 2022, the Company's net inventories amounted to NT\$196,696 thousand accounting for 11% of the total assets. Due to the highly competitive nature of the market for polyblend materials, the wide range of product applications, the fact that the prices of raw materials, finished goods and products are subject to anticipated future market and economic conditions, and the uncertainty arising from rapid changes in product technology, the allowance for impairment of inventories involves significant management judgement. We therefore determined the inventory valuation a key audit matter.

Our audit procedures included, but were not limited to, understanding and testing the adequacy of accounting policy around obsolete and slow-moving inventories, evaluating stocktaking plan and selecting important storage locations to observe inventory counts to ensure inventory quantities and status; obtaining inventory aging schedule to test whether inbound and outbound records are accurate; re-calculating the unit cost of inventories; and evaluating and testing net realizable value adopted by management.

We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the parent company only financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 financial reporting process of the Company.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Huang, Tzu Ping

Yen, Wen Pi

Ernst & Young, Taiwan

March 9, 2023

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Pontex Polyblend Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | | 31 December 2022 | | 31 December 2021 | |
|--------|---|------------|---------------------------|-------------------|---------------------------|-------------------|
| Code | Item | Notes | Amount | % | Amount | % |
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 4,6(1) | \$103,901 | 6 | \$86,896 | 5 |
| 1150 | Notes receivable, net | 4,6(2) | 13,748 | 1 | 23,650 | 1 |
| 1170 | Accounts receivable, net | 4,5,6(3) | 181,851 | 10 | 204,752 | 11 |
| 1180 | Accounts receivable, net - related parties | 4,5,6(3),7 | 7,165 | - | 16,633 | 1 |
| 130x | Inventories | 4,6(4) | 196,696 | 11 | 181,928 | 10 |
| 1410 | Prepayments | | 9,275 | 1 | 10,740 | 1 |
| 1476 | Other current financial assets | 6(1),8 | 24,174 | 1 | 23,713 | 1 |
| 1479 | Other current assets | 4,7 | 1,322 | - | 1,721 | - |
| 11xx | Total current assets | | <u>538,132</u> | <u>30</u> | <u>550,033</u> | <u>30</u> |
| | Non-current assets | | | | | |
| 1550 | Investments accounted for under the equity method | 4,6(5) | 754,665 | 42 | 733,858 | 40 |
| 1600 | Property, plant and equipment | 4,6(6),8 | 479,020 | 27 | 497,750 | 28 |
| 1780 | Intangible assets | 4 | 189 | - | 121 | - |
| 1840 | Deferred tax assets | 4,6(18) | 15,946 | 1 | 15,432 | 1 |
| 1900 | Other non-current assets | 4,6(7) | 3,760 | - | 10,079 | 1 |
| 1975 | Net defined benefit non-current assets | 4,6(10) | 3,061 | - | 1,635 | - |
| 15xx | Total non-current assets | | <u>1,256,641</u> | <u>70</u> | <u>1,258,875</u> | <u>70</u> |
| 1xxx | Total assets | | <u><u>\$1,794,773</u></u> | <u><u>100</u></u> | <u><u>\$1,808,908</u></u> | <u><u>100</u></u> |

(Continued)

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer : CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

Pontex Polyblend Co., Ltd.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | 31 December 2022 | | 31 December 2021 | |
|------------------------|---|---------|--------------------|------------|--------------------|------------|
| Code | Item | Notes | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2100 | Short-term loans | 4,6(8) | \$407,044 | 23 | \$432,523 | 24 |
| 2150 | Notes payable | | 28,876 | 2 | 24,517 | 1 |
| 2170 | Accounts payable | | 21,791 | 1 | 54,089 | 3 |
| 2180 | Accounts receivable, net - related parties | 7 | 131,178 | 7 | 96,038 | 6 |
| 2200 | Other payables | | 22,685 | 1 | 22,308 | 1 |
| 2320 | Current portion of long-term loans | 6(9) | 72,500 | 4 | 73,743 | 4 |
| 2399 | Other current liabilities | 4,6(12) | 1,473 | - | 2,146 | - |
| 21xx | Total current liabilities | | <u>685,547</u> | <u>38</u> | <u>705,364</u> | <u>39</u> |
| | Non-current liabilities | | | | | |
| 2540 | Long-term loans | 6(9) | 258,750 | 14 | 307,250 | 17 |
| 2570 | Deferred tax liabilities | 4,6(18) | 12,599 | 1 | 12,259 | 1 |
| 2611 | Long-term notes payable | | - | - | 354 | - |
| 2645 | Guarantee deposits | | 8 | - | 8 | - |
| 25xx | Total non-current liabilities | | <u>271,357</u> | <u>15</u> | <u>319,871</u> | <u>18</u> |
| 2xxx | Total liabilities | | <u>956,904</u> | <u>53</u> | <u>1,025,235</u> | <u>57</u> |
| | Capital | | | | | |
| 3100 | Common stock | 6(11) | 843,000 | 47 | 843,000 | 47 |
| 3300 | Retained earnings | 6(11) | | | | |
| 3310 | Legal reserve | | 619 | - | - | - |
| 3320 | Special reserve | | 5,569 | - | - | - |
| 3350 | Retained earnings | | 28,246 | 2 | 6,188 | - |
| 3400 | Other components of equity | | | | | |
| 3410 | Exchange differences on translation of foreign operations | | (39,565) | (2) | (65,515) | (4) |
| 3xxx | Total equity | | <u>837,869</u> | <u>47</u> | <u>783,673</u> | <u>43</u> |
| | Total liabilities and equity | | <u>\$1,794,773</u> | <u>100</u> | <u>\$1,808,908</u> | <u>100</u> |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer : CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| Code | Item | Notes | 2022 | | 2021 | |
|------|---|----------------|-----------|------|-------------|------|
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 4,6(12),7 | \$788,908 | 100 | \$1,079,643 | 100 |
| 5000 | Operating costs | 6(4),6(15) | (711,139) | (90) | (940,394) | (87) |
| 5900 | Gross profit | | 77,769 | 10 | 139,249 | 13 |
| 5910 | Unrealized profit or loss on sales | | 177 | - | 364 | - |
| 5920 | Realized profit or loss on sales | | (364) | - | (539) | - |
| 5950 | Gross profit-net | | 77,582 | 10 | 139,074 | 13 |
| 6000 | Operating expenses | 6(15) | | | | |
| 6100 | Sales and marketing expenses | | (30,512) | (4) | (38,468) | (4) |
| 6200 | General and administrative expenses | | (48,233) | (6) | (44,402) | (4) |
| 6300 | Research and development expenses | | (17,235) | (2) | (20,551) | (2) |
| 6450 | Expected credit loss | 4,6(13) | (2,232) | - | (12,096) | (1) |
| | Subtotal | | (98,212) | (12) | (115,517) | (11) |
| 6900 | Operating (loss) income | | (20,630) | (2) | 23,557 | 2 |
| 7000 | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 320 | - | 77 | - |
| 7010 | Other income | 4,6(16) | 9,129 | 1 | 9,862 | 1 |
| 7020 | Other gains and losses | 6(16) | 1,827 | - | (6,784) | (1) |
| 7050 | Finance costs | 6(16) | (18,610) | (2) | (17,576) | (1) |
| 7060 | Share of profit of subsidiaries, associates and joint ventures | 4,6(6) | 54,924 | 7 | 33,785 | 3 |
| | Subtotal | | 47,590 | 6 | 19,364 | 2 |
| 7900 | Net income before tax | | 26,960 | 4 | 42,921 | 4 |
| 7950 | Income tax benefit | 4,6(18) | 396 | - | 543 | - |
| 8200 | Net income | | 27,356 | 4 | 43,464 | 4 |
| 8300 | Other comprehensive income (loss) | 4, 6(10),6(17) | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurements of defined benefit plans | | 1,112 | - | (385) | - |
| 8349 | Income tax related to items that will not be reclassified subsequently | | (222) | - | 77 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | 25,950 | 3 | (27,388) | (3) |
| 8399 | Income tax related to items that may be reclassified subsequently | | - | - | (3,942) | - |
| | Total other comprehensive income, net of tax | | 26,840 | 3 | (31,638) | (3) |
| 8500 | Total comprehensive income | | \$54,196 | 7 | \$11,826 | 1 |
| | Earnings per share (NTD) | 4,6(19) | | | | |
| 9750 | Earnings per share-basic | | \$0.32 | | \$0.52 | |
| 9850 | Earnings per share-diluted | | \$0.32 | | \$0.52 | |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
Pontex Polyblend Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| Item | Notes | Capital | Legal Reserve | Special reserve | Retained earnings (accumulated deficit) | Other components of equity | Total Equity |
|--|-------|------------------|---------------|-----------------|--|---|------------------|
| | | | | | | Exchange Differences on Translation of Foreign | |
| Balance as of 1 January 2021 | 6(17) | \$843,000 | \$ - | \$ - | \$(36,968) | \$(34,185) | \$771,847 |
| Net income for the year ended 31 December 2021 | | | - | - | 43,464 | | 43,464 |
| Other comprehensive loss, net of tax for the year ended 31 December 2021 | | | - | - | (308) | (31,330) | (31,638) |
| Total comprehensive income | | - | - | - | 43,156 | (31,330) | 11,826 |
| Balance as of 31 December 2021 | | <u>\$843,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$6,188</u> | <u>\$(65,515)</u> | <u>\$783,673</u> |
| Balance as of 1 January 2022 | 6(17) | \$843,000 | \$ - | \$ - | \$6,188 | \$(65,515) | \$783,673 |
| Appropriation and distribution of 2021 retained earnings | | | | | | | |
| Legal reserve | | | 619 | | (619) | | - |
| Special reserve | | | | 5,569 | (5,569) | | - |
| Net income for the year ended 31 December 2022 | | | | | 27,356 | | 27,356 |
| Other comprehensive income, net of tax for the year ended 31 December 2022 | | | | | 890 | 25,950 | 26,840 |
| Total comprehensive income | | - | - | - | 28,246 | 25,950 | 54,196 |
| Balance as of 31 December 2022 | | <u>\$843,000</u> | <u>\$619</u> | <u>\$5,569</u> | <u>\$28,246</u> | <u>\$(39,565)</u> | <u>\$837,869</u> |

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

Chairman : HENRY GLOBAL INVEST MENT CO., LTD.
Representative: SHEN, MAO-KEN

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Pontex Polyblend Co., Ltd.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| Item | Notes | For the years ended 31 December 2022 | For the years ended 31 December 2021 | Item | Notes | For the years ended 31 December 2022 | For the years ended 31 December 2021 |
|--|-------|---|---|---|-------|---|---|
| Cash flows from operating activities: | | | | Cash flows from investing activities: | | | |
| Net income before tax | | \$26,960 | \$42,921 | Acquisition of property, plant and equipment | | \$(6,464) | \$(10,637) |
| Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities: | | | | Proceeds from disposal of property, plant and equipment | | - | 199 |
| Depreciation | | 24,318 | 25,230 | Acquisition of intangible assets | | (159) | (66) |
| Amortization | | 91 | 69 | Decrease (Increase) in other non-current assets | | 420 | (185) |
| Expected credit loss | | 2,232 | 12,096 | Dividends received | | 59,880 | - |
| Finance costs | | 18,610 | 17,576 | Net cash provided by (used in) investing activities | | 53,677 | (10,689) |
| Interest income | | (320) | (77) | Cash flows from financing activities: | | | |
| Share of profit of subsidiaries, associates and joint ventures | | (54,924) | (33,785) | Increase in short-term loans | | 922,666 | 1,065,535 |
| (Gain) loss on disposal of property, plant and equipment | | 174 | (10) | Decrease in short-term loans | | (948,145) | (1,003,448) |
| Reversal of impairment loss on non-financial assets | | (174) | - | Increase in long-term loans | | 24,000 | - |
| Unrealized profit or loss on sales | | (177) | (364) | Cash payment for long-term loans | | (73,743) | (68,142) |
| Realized profit or loss on sales | | 364 | 539 | Increase in long-term notes and accounts payable | | - | 354 |
| Other | | - | 2,261 | Net cash used in financing activities | | (75,222) | (5,701) |
| Changes in operating assets and liabilities: | | | | Net increase in cash and cash equivalents | | 17,005 | 37,385 |
| Decrease (increase) in notes receivable | | 9,902 | (4,935) | Cash and cash equivalents at beginning of period | | 86,896 | 49,511 |
| Decrease in accounts receivable | | 25,192 | 61,515 | Cash and cash equivalents at end of period | 6(1) | 103,901 | 86,896 |
| Decrease (increase) in receivables - related parties | | 9,468 | (15,512) | | | | |
| Increase in inventories, net | | (14,768) | (29,308) | | | | |
| Decrease (increase) in prepayments | | 1,465 | (8,683) | | | | |
| Increase in other current financial assets | | (461) | (1,085) | | | | |
| Decrease (increase) in other current assets | | 399 | (474) | | | | |
| Increase in notes payable | | 4,005 | 7,787 | | | | |
| Decrease in accounts payable | | (32,298) | (41,325) | | | | |
| Increase in payables - related parties | | 35,140 | 37,655 | | | | |
| Increase in other payables | | 2,537 | 4,527 | | | | |
| Decrease in other current liabilities | | (673) | (5,041) | | | | |
| Decrease in net defined benefit non-current assets | | (314) | (321) | | | | |
| Cash generated from operations | | 56,748 | 71,256 | | | | |
| Interest received | | 320 | 77 | | | | |
| Interest paid | | (18,518) | (17,558) | | | | |
| Net cash provided by operating activities | | 38,550 | 53,775 | | | | |

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

Chairman: HENRY GLOBAL INVEST MENT CO., LTD.

Manager: SHEN, MAO-KEN

Accounting Officer: CHUNG, HSIU-CHU

Representative: SHEN, MAO-KEN

PONTEX POLYBLEND CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Pontex Polyblend Co., Ltd. (hereinafter “the Company”) was incorporated in December 1982. It is primarily in the business of compounding, processing, injection, moulding and trading of resins, plastic and rubber materials, shoe sole materials, etc., as well as in the operation and investment of the relevant businesses.

In July 1999, in response to the need for diversification of future fund raising channels and with the consent of the securities authorities, a retroactive handling of public issuance procedures was completed. In September 2001, an application was made to the Taipei Exchange for the listing of the shares on the Taipei Exchange and the listing was approved on 26 March 2002. Its registered office and primary place of business is located at No.23-6, Longxing Ln., Sec. 2, Fengxing Rd., Tanzi Dist., Taichung City 427, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on 9 March 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Company.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|---|-------------------------------|
| a | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| b | Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| c | Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |

- (a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

- (b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

- (c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The new or amended standards and interpretations have no material impact on the Company.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | 1 January 2023 |
| c | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 1 January 2024 |
| d | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2024 |
| e | Non-current Liabilities with Covenants – Amendments to IAS 1 | 1 January 2024 |

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

The Company prepared the parent company only financial statements in accordance with the Regulations. According to the Article 21 of the Regulation, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Foreign Currency Transactions

The Company's parent company only financial statements are presented in its functional currency, New Taiwan Dollars (NT\$). Items included in the financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at the respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and Non-current Distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalent

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets
- (b) the contractual cash flow characteristics of the financial asset

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit loss on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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The Company measures expected credit loss of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit loss: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit loss in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit loss: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit loss.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

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A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or loss on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and loss are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

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Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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(11) Investments accounted for under the equity method

According to Article 21 of the Regulation, the Company's investment in subsidiaries was presented as "Investments accounted for using equity method" and made necessary adjustments. The profit or loss during the period and other comprehensive income presented in the parent company only financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis, and the shareholders' equity presented in the parent company only financial statements shall be the same as the equity attributable to shareholders of the parent presented in the financial statements prepared on a consolidated basis. The adjustment was considered the difference between investment in subsidiaries in consolidated financial statements according to IFRS 10 "Consolidated financial statements" and application of IFRS to different reporting entities, debit/credit "Investment accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures" or "Share of other comprehensive profit or loss of subsidiaries, associates and joint ventures" etc.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

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When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| Items | Useful Lives |
|--------------------------|--------------|
| Buildings | 3~50 years |
| Machinery and equipment | 3~10 years |
| Transportation equipment | 6 years |
| Office equipment | 2~10 years |
| Other equipment | 3~20 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

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A summary of the policies applied to the Group's intangible assets is as follows:

| | Computer software |
|----------------------------------|--|
| Useful lives | 5~6 years |
| Amortization method used | Amortized on a straight-line basis over the period of the patent |
| Internally generated or acquired | Acquired |

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(17) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells goods and recognizes revenue when the promised goods are delivered to the customer and the customer obtains control over them (i.e. The customer simultaneously receives and consumes the

economic benefits of the provided asset as the entity performs). The main goods are functional shoe outsoles, midsoles, trim components and other upper injection and rubber materials, and revenue is recognized on the basis of contracted prices.

The credit period of the Company's sale of goods is from 30 to 165 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(18) Borrowing costs

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Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(20) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's individual financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences,

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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5. Significant accounting judgments, estimates and assumptions

The preparation of the parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(3) Income tax

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4) Accounts receivables—estimation of impairment loss

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(5)Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of 31 December | |
|-----------------|-------------------|-----------------|
| | 2022 | 2021 |
| Cash on hand | \$1,146 | \$1,146 |
| Notes deposits | 1,688 | 951 |
| Demand deposits | 101,067 | 84,799 |
| Total | <u>\$103,901</u> | <u>\$86,896</u> |

As of 31st December 2022 and 2021, demand deposits with restriction on use which amounted to \$24,174 thousand and \$23,713 thousand, respectively, were classified under other financial assets - current.

Refer to Note 8 for information on endorsement/guarantee of other financial assets - current.

(2) Notes receivables

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | As of 31 December | |
|---|-------------------|-----------------|
| Notes receivables arising from operating activities | \$14,655 | \$24,557 |
| Less: loss allowance | (907) | (907) |
| Total | <u>\$13,748</u> | <u>\$23,650</u> |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.13 for more details on loss allowance and Note 12 for details on credit risk.

(3) Accounts receivables and accounts receivable - related parties

| | As of 31 December | |
|---------------------------------------|-------------------|------------------|
| Accounts receivables | \$182,462 | \$208,404 |
| Less: loss allowance | (611) | (3,652) |
| subtotal | <u>181,851</u> | <u>204,752</u> |
| Accounts receivable – related parties | <u>7,165</u> | <u>16,633</u> |
| Total | <u>\$189,016</u> | <u>\$221,385</u> |

Accounts receivables were not pledged.

Accounts receivables are generally on 30-165 day terms. The total carrying amount for the years ended 31 December 2022 and 2021 were NT\$189,627 thousand and NT\$225,037 thousand, respectively. Please refer to Note 6(13) for more details on loss allowance and Note 12 for details on credit risk management.

100% credit loss provision is reserved for account receivables which are deemed with least possibility to be collected. Please refer to Note 6(7) for more details.

(4) Inventories

| | As of 31 December | |
|----------------------|-------------------|------------------|
| | 2022 | 2021 |
| Raw materials | 154,152 | \$128,049 |
| Work in progress | 3,807 | 6,275 |
| Finished goods | 31,954 | 41,869 |
| Merchandise | 77 | 278 |
| Outsourced inventory | 6,706 | 4,758 |
| Inventory in transit | - | 699 |
| Total | <u>\$196,696</u> | <u>\$181,928</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The cost of inventories recognized as cost of sales for the years ended 31 December 2022 and 2021 amounted were NT\$711,139 thousand and NT\$940,394 thousand respectively. The price (gain from price recovery) reduction of inventories related to cost of goods sold were NT\$361 thousand and NT\$858 thousand.

Inventories were not pledged.

(5) Investments accounted for using the equity method

Details of investments accounted for under the equity method are as follows:

| Investees | As of 31 December | | | |
|-----------------------------|-------------------|------|------------------|------|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| Multitex Polyblend CO.,LTD. | \$462,172 | 100% | \$419,885 | 100% |
| Polytech Global Ltd. | 292,493 | 100% | 313,973 | 100% |
| Total | <u>\$754,665</u> | | <u>\$733,858</u> | |

The share of profit or loss of subsidiaries recognized using the equity method and the share of other comprehensive income for the years 2022 and 2021 are as follows:

| | For the years ended 31 December | | | |
|-----------------------------|---|---|---|---|
| | 2022 | | 2021 | |
| | Share of profit or loss of subsidiaries, associates and joint ventures recognized under the equity method | Share of other comprehensive income of associates and joint ventures recognized under the equity method | Share of profit or loss of subsidiaries, associates and joint ventures recognized under the equity method | Share of other comprehensive income of associates and joint ventures recognized under the equity method |
| Multitex Polyblend CO.,LTD. | \$36,202 | \$6,195 | \$6,278 | \$(77) |
| Polytech Global Limited | 18,722 | 19,755 | 27,507 | (29,572) |
| Total | <u>\$54,924</u> | <u>\$25,950</u> | <u>\$33,785</u> | <u>\$(29,649)</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company recognized NT\$59,880 thousand and NT\$0 thousand in cash dividends from investments accounted for using the equity method for the years ended 31 Dec. 2022 and 2021, respectively.

The investments were not pledged.

(6) Property, plant and equipment

| | | | | As of 31 December | | | |
|--|------------------|--------------------|-------------------------|-------------------|--------------------------|--------------------|--------------------|
| Owner occupied property, plant and equipment | | | | \$479,020 | \$497,750 | | |
| | Land | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Other equipment | Total |
| <u>Cost:</u> | | | | | | | |
| As of 1 January 2022 | \$353,545 | \$394,265 | \$145,393 | \$7,937 | \$9,704 | \$144,909 | \$1,055,753 |
| Additions | - | 100 | 3,933 | 289 | - | 1,266 | 5,588 |
| Disposals | - | (761) | (3,016) | (863) | - | - | (4,640) |
| As of 31 December 2022 | <u>\$353,545</u> | <u>\$393,604</u> | <u>\$146,310</u> | <u>\$7,363</u> | <u>\$9,704</u> | <u>\$146,175</u> | <u>\$1,056,701</u> |
| <u>Depreciation and impairment:</u> | | | | | | | |
| As of 1 January 2022 | \$ - | \$(301,131) | \$(109,010) | \$(7,151) | \$(7,310) | \$(133,401) | \$(558,003) |
| Depreciation and impairment | - | (7,832) | (10,246) | (347) | (957) | (4,762) | (24,144) |
| Disposals | - | 587 | 3,016 | 863 | - | - | 4,466 |
| As of 31 December 2022 | <u>\$ -</u> | <u>\$(308,376)</u> | <u>\$(116,240)</u> | <u>\$(6,635)</u> | <u>\$(8,267)</u> | <u>\$(138,163)</u> | <u>\$(577,681)</u> |
| <u>Cost:</u> | | | | | | | |
| As of 1 January 2021 | \$353,545 | \$394,265 | \$137,900 | \$7,650 | \$9,704 | \$143,554 | \$1,046,618 |
| Additions | - | - | 8,516 | 287 | - | 2,615 | 11,418 |
| Disposals | - | - | (1,023) | - | - | (1,260) | (2,283) |
| As of 31 December 2021 | <u>\$353,545</u> | <u>\$394,265</u> | <u>\$145,393</u> | <u>\$7,937</u> | <u>\$9,704</u> | <u>\$144,909</u> | <u>\$1,055,753</u> |
| <u>Depreciation and</u> | | | | | | | |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Land | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Other equipment | Total |
|---|------------------|--------------------|----------------------------|---------------------|-----------------------------|--------------------|--------------------|
| <u>impairment</u> | | | | | | | |
| As of 1 January 2021 | \$ - | \$(292,778) | \$(99,359) | \$(6,804) | \$(6,353) | \$(129,573) | \$(534,867) |
| Depreciation and impairment | - | (8,353) | (10,674) | (347) | (957) | (4,899) | (25,230) |
| Disposals | - | - | 1,023 | - | - | 1,071 | 2,094 |
| As of 31 December 2021 | <u>\$ -</u> | <u>\$(301,131)</u> | <u>\$(109,010)</u> | <u>\$(7,151)</u> | <u>\$(7,310)</u> | <u>\$(133,401)</u> | <u>\$(558,003)</u> |
| <u>Net carrying amount</u> <u>as at:</u> | | | | | | | |
| 31 December 2022 | <u>\$353,545</u> | <u>\$85,228</u> | <u>\$30,070</u> | <u>\$728</u> | <u>\$1,437</u> | <u>\$8,012</u> | <u>\$479,020</u> |
| 31 December 2021 | <u>\$353,545</u> | <u>\$93,134</u> | <u>\$36,383</u> | <u>\$786</u> | <u>\$2,394</u> | <u>\$11,508</u> | <u>\$497,750</u> |

There was no capitalization of interest arising from the purchase of property, plant and equipment by the Company in 2022 and 2021.

As of 31st December 2022 and 2021, \$18,753 thousand of the cost of land was accounted for as costs related to the acquisition of farmland. Due to legal restrictions, the title is temporarily registered in the name of another party and a trust of land is signed, which will be changed to the name of the Company when the transfer to the Company is permitted by law in the future.

The movement in the Company's accumulated impairment is as follows:

| | <u>For the years ended 31 December</u> | |
|--|--|-------------------|
| Accumulated impairment at the beginning of the period | \$(47,922) | \$(47,922) |
| Impairment for the period | - | - |
| Reversal | 174 | - |
| Accumulated impairment at the end of the period | <u>\$(47,748)</u> | <u>\$(47,922)</u> |

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Other non-current assets

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | As of 31 December | |
|--------------------------------|-------------------|-----------------|
| | 2022 | 2021 |
| Non-accrual loans | \$296,485 | \$271,374 |
| Long-term accounts receivables | - | 24,362 |
| Less: loss allowance | (293,735) | (288,463) |
| Prepayment for equipment | - | 1,376 |
| Refundable deposits | 660 | 1,080 |
| Other | 350 | 350 |
| Total | <u>\$3,760</u> | <u>\$10,079</u> |

(8) Short-term loans

| | As of 31 December | |
|--------------------|-------------------|------------------|
| | 2022 | 2021 |
| Secured bank loans | <u>\$407,044</u> | <u>\$432,523</u> |

| | For the years ended 31 December | |
|------------------------|---------------------------------|-------------|
| | 2022 | 2021 |
| Interest rates applied | 2.04%~3.04% | 1.95%~2.47% |

The Company's unused short-term lines of credits amounted to NT\$185,106 thousand and NT\$71,482 thousand as of 31 December 2022 and 2021, respectively.

Guaranteed bank loans are pledged against other financial assets and property, plant and equipment, as disclosed in Note 8.

(9) Long-term borrowings

Details of long-term loans as at 31 December 2022 and 31 December 2021 are as follows:

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Lenders | As of 31 December 2022 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|--|
| First Commercial Bank secured bank loans | \$286,000 | 2.78% | From 30 th December 2018 to 29 th December 2025, installments will be made in monthly installments of \$1,500 thousand each in the first year, \$3,000 thousand each in the second year and \$4,000 thousand each in the third year. With effect from 16 th July 2020, the credit terms were changed for a grace period up to 27 th June 2021. The principal is repayable in monthly installments of \$4,000 thousand from 28 th June 2021 to 28 th June 2022 and \$5,000 thousand from 28 th June 2022, with the remaining principal of \$111,000 thousand to be repaid in full on the maturity date. |
| The Shanghai Commercial Bank secured bank loans | 21,250 | 3.25% | Interest is payable monthly in monthly instalments from 14th October 2020 to 14th October 2025, with the first year being a grace period of NT\$625 thousand and the final instalment being repaid in full, with interest payable monthly. |
| The Shanghai Commercial Bank secured bank loans | 4,000 | 2.75% | Interest is payable monthly in monthly instalments from 10 th March 2023 to 10 th February 2027, with the first year being a grace period of NT\$83 thousand and the final instalment being repaid in full, with interest payable monthly. |
| The Shanghai Commercial Bank secured bank loans | 9,000 | 2.75% | Interest is payable monthly in monthly instalments from 10th March 2023 to 10th February 2027, with the first year being a grace period of NT\$83 thousand and the final instalment being repaid in full, with interest payable monthly. |
| The Shanghai Commercial Bank secured bank loans | 11,000 | 2.75% | Interest is payable monthly in monthly instalments from 17th March 2023 to 17th February 2027, with the first year being a grace period of NT229 thousand and the final instalment being repaid in full, with interest payable monthly. |
| Subtotal | 331,250 | | |
| Less: current portion | (72,500) | | |
| Total | <u>\$258,750</u> | | |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Lenders | As of 31 December 2021 | Interest Rate (%) | Maturity date and terms of repayment |
|---|---------------------------|----------------------|--|
| First Commercial Bank secured bank loans | 340,000 | 2.15% | From 30 th December 2018 to 29 th December 2025, installments will be made in monthly installments of \$1,500 thousand each in the first year, \$3,000 thousand each in the second year and \$4,000 thousand each in the third year. With effect from 16 th July 2020, the credit terms were changed for a grace period up to 27 th June 2021. The principal is repayable in monthly installments of \$4,000 thousand from June 28, 2021 to June 28, 2022 and \$5,000 thousand from 28 th June 2022, with the remaining principal of \$111,000 thousand to be repaid in full on the maturity date. |
| First Commercial Bank secured bank loans | 12,243 | 2.15% | Interest is payable monthly in one installment from 21 st July 2017 to 25 th August 2022, with the first one year being a grace period of NT\$833 thousand per installment and the final installment being repaid in full, with interest payable monthly. With effect from 16 th July 2020, the credit terms were changed for a grace period up to 15 th July 2021. Repayment will be made in monthly instalments on a fixed principal basis, with interest and principal repayable in equal monthly instalments. |
| The Shanghai Commercial Bank secured bank loans | 28,750 | 2.75% | Interest is payable monthly in monthly instalments from 14 th October 2020 to 14 th October 2025, with the first year being a grace period of NT\$625 thousand and the final instalment being repaid in full, with interest payable monthly. |
| Subtotal | 380,993 | | |
| Less: current portion | (73,743) | | |
| Total | <u>\$307,250</u> | | |

Certain land and buildings are pledged as first priority security for secured
bank loans, please refer to Note 8 for more details.

(10) Post-employment benefits

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan for the years ended 31 December 2022 and 2021 were NT\$2,369 thousand and NT\$2,515 thousand, respectively.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$302 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

The weighted average duration of the defined benefits obligation was 6 years as of 31 December 2022.

Pension costs recognized in profit or loss are as follows:

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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| | For the years ended 31 December | |
|---|------------------------------------|--------------|
| | 2022 | 2021 |
| Current service costs | \$ - | \$ - |
| Net interest on the net defined benefit liabilities (assets) | (11) | (7) |
| Total | <u>\$(11)</u> | <u>\$(7)</u> |

Reconciliations of liabilities of the defined benefit obligation and plan assets at fair value are as follows:

| | As of | | |
|--|---------------------|---------------------|-------------------|
| | 31 December 2022 | 31 December 2021 | 1 January 2021 |
| Defined benefit obligation | \$11,026 | \$12,669 | \$13,283 |
| Plan assets at fair value | (14,087) | (14,304) | (14,982) |
| Net defined benefit liabilities, noncurrent | <u>\$(3,061)</u> | <u>\$(1,635)</u> | <u>\$(1,699)</u> |

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|---|----------------------------------|------------------------------|---|
| As of 1 January 2021 | \$13,283 | \$(14,982) | \$(1,699) |
| Current period service costs | - | - | - |
| Interest expense (income) | 55 | (62) | (7) |
| Subtotal | 13,338 | (15,044) | (1,706) |
| Remeasurements of the defined benefit liabilities /assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 19 | - | 19 |
| Actuarial gains and losses arising from changes in financial assumptions | (245) | - | (245) |
| Experience adjustments | 819 | (208) | 611 |
| Subtotal | 593 | (208) | 385 |
| Payments of benefit obligation | (1,262) | 1,262 | - |
| Contributions by employer | - | (314) | (314) |
| As of 31 December 2021 | \$12,669 | \$(14,304) | \$(1,635) |
| Current period service costs | - | - | - |
| Interest expense (income) | 85 | (96) | (11) |
| Subtotal | 12,754 | (14,400) | (1,646) |

Remeasurements of the defined benefit

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Defined benefit obligation | Plan assets at fair value | Net defined benefit liabilities (assets) |
|---|----------------------------------|------------------------------|---|
| liabilities /assets: | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (398) | - | (398) |
| Experience adjustments | 440 | (1,154) | (714) |
| Subtotal | 42 | (1,154) | (1,112) |
| Payments of benefit obligation | (1,770) | 1,770 | - |
| Contributions by employer | - | (303) | (303) |
| As of 31 December 2022 | <u>\$11,026</u> | <u>\$(14,087)</u> | <u>\$(3,061)</u> |

The principal assumptions used in determining the Company's defined benefit plan are shown below:

| | As of 31 December | |
|-----------------------------------|-------------------|-------|
| | 2022 | 2021 |
| Discount rate | 1.20% | 0.67% |
| Expected rate of salary increases | 0.50% | 0.50% |

Sensitivity analysis for significant assumption are shown below:

| | For the years ended 31 December | | | |
|------------------------------------|--|--|--|--|
| | 2022 | | 2021 | |
| | Defined benefit obligation increase | Defined benefit obligation decrease | Defined benefit obligation increase | Defined benefit obligation decrease |
| Discount rate increase by 0.50% | \$ - | \$342 | \$ - | \$439 |
| Discount rate decrease by 0.50% | 374 | - | 514 | - |
| Future salary increase by 0.50% | 375 | - | 511 | - |
| Future salary decrease by 0.50% | - | 279 | - | 357 |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(11) Equity

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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A. Common stock

The Company's authorized capital was NT\$3,500,000 thousand as at 1 January 2021, each at a par value of NT\$10. Of 350,000,000 shares, 84,300,000 shares were issued, with paid-in capital of NT\$843,000 thousand. Each share has one voting right and a right to receive dividends. There has been no change as at 31 December 2022.

B. Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Legal reserve

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Special reserve

According to the existing regulations, when the Company distributing distributable earnings, it shall set aside an amount equal to "other net deductions from shareholders' equity for the current fiscal year to special reserve. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

Upon the adoption of IFRSs, the Company recognized a special reserve of the same amount as the unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the accounts upon the first-time adoption of IFRSs, which was transferred to retained earnings upon the adoption of IFRS 1, "First-time Adoption of International Financial Reporting Standards", in accordance with the Financial-Supervisory-Securities-Corporate-1010012865 issued by the FSC on 6 April 2012.

E. Retained earnings and dividend policies

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy shall take into account the profitability, capital structure and future operation and shall allocate no less than 10% of the distributable earnings to shareholders each year. Dividends per share calculated on the basis of distributable earnings of less than NT\$0.50 may be withheld. Dividends to shareholders may be distributed in cash or in shares. Except that stock dividends shall be limited to not less than 10% of the total dividends.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution. The Company recorded a negative balance of retained earnings (accumulated deficit) as at 1 January 2012. Therefore, this order has no impact on the Company.

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

shareholders' meeting on 9 March 2023 and 2 June 2022, respectively,
are as follows:

| | For the years ended 31 December | | | |
|-----------------------|---|-------|--------------------|------|
| | Appropriation of earnings and distribution | | Dividend per share | |
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | | | | |
| Provision for special | \$2,825 | \$619 | | |
| reserve | - | 5,569 | | |
| Stock dividends | 25,290 | - | \$0.3 | \$ - |

Please refer to Note 6(15) for further details on employees' compensation
and remuneration to directors and supervisors.

(12) Operating revenue

| | For the years ended 31 December | |
|--|------------------------------------|-------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Sale of goods | \$788,908 | \$1,079,643 |

Analysis of revenue from contracts with customers for the years ended 31
December 2022 and 2021 are as follows:

A. Disaggregation of revenue

For the year ended 31 December 2022

| | Equipment Business Department | Compound Materials Business Department | Total |
|---------------|-------------------------------------|---|-----------|
| Sale of goods | \$186,271 | \$602,637 | \$788,908 |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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For the year ended 31 December 2021

| | Equipment Business Department | Compound Materials Business Department | Total |
|---------------|-------------------------------------|---|--------------------|
| Sale of goods | <u>\$158,735</u> | <u>\$920,908</u> | <u>\$1,079,643</u> |

The Company recognize revenue from contracts with customers at a point in time.

B. Contract balances

Contract liabilities - current (Classified as other current liabilities)

| | As of | | |
|----------------|---------------------|---------------------|-------------------|
| | 31 December 2022 | 31 December 2021 | 1 January 2021 |
| Sales of goods | <u>\$1,346</u> | <u>\$1,998</u> | <u>\$6,959</u> |

For the years ended 31 December 2022, contract liabilities decreased as performance obligations are satisfied.

(13) Expected credit losses

| | For the years ended 31 December | |
|---|---------------------------------|-----------------|
| | 2022 | 2021 |
| Operating expenses – Expected credit losses/(gains) | | |
| Accounts receivables | \$750 | \$2,440 |
| Overdue receivables | - | 2,221 |
| Long-term accounts receivables | <u>1,482</u> | <u>7,435</u> |
| Total | <u>\$2,232</u> | <u>\$12,096</u> |

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses, taking into account the credit rating of the counterparties and other factors, and an allowance matrix is used. The assessment of the Company's loss allowance as at 31 December 2021 and 2020 are as follows:

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 December 2022

Group 1

| | Not yet | Overdue | | | | | |
|---------------------------------|-----------|-----------|-------------|--------------|--------------|------------|-----------|
| | due | 0-90 days | 91-180 days | 181-270 days | 271-365 days | >=366 days | Total |
| Gross carrying amount | \$203,375 | \$ - | \$ - | \$ - | \$ - | \$907 | \$204,282 |
| Loss ratio | 0.3% | - | - | - | - | 100% | |
| Lifetime expected credit losses | (611) | - | - | - | - | (907) | (1,518) |
| Carrying amount | \$202,764 | \$ - | \$ - | \$ - | \$ - | \$ - | \$202,764 |

Group 2 : None.

As of 31 December 2021

Group 1

| | Not yet | Overdue | | | | | |
|---------------------------------|-----------|-----------|-------------|--------------|--------------|------------|-----------|
| | due | 0-90 days | 91-180 days | 181-270 days | 271-365 days | >=366 days | Total |
| Gross carrying amount | \$210,964 | \$26,750 | \$423 | \$ - | \$ - | \$907 | \$239,044 |
| Loss ratio | - % | - % | - % | 5% | 5% | 100% | |
| Lifetime expected credit losses | (611) | - | - | - | - | (907) | (1,518) |
| Carrying amount | \$210,353 | \$26,750 | \$423 | \$ - | \$ - | \$ - | \$237,526 |

Group 2

| | Not yet | Overdue | | | | | |
|---------------------------------|---------|-----------|-------------|--------------|--------------|------------|----------|
| | due | 0-90 days | 91-180 days | 181-270 days | 271-365 days | >=366 days | Total |
| Gross carrying amount | \$ - | \$ - | \$ - | \$ - | \$ - | \$34,913 | \$34,913 |
| Lifetime expected credit losses | - | - | - | - | - | (20,130) | (20,130) |
| Carrying amount | \$ - | \$ - | \$ - | \$ - | \$ - | \$14,783 | \$14,783 |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of note receivables and trade receivables during the years ended 31 December 2022 and 2021 are as follows:

| | Note receivables | Trade receivables | Overdue receivables | Long-term accounts receivables |
|---|---------------------|----------------------|------------------------|--------------------------------------|
| As of 1 January 2022 | \$907 | \$3,652 | \$271,374 | \$17,089 |
| Addition/(reversal) for the current period | - | 750 | - | 1,482 |
| Reclassification | - | (3,791) | 22,361 | (18,571) |
| As of 31 December 2022 | <u>\$907</u> | <u>\$611</u> | <u>\$293,735</u> | <u>\$ -</u> |
| As of 1 January 2021 | \$907 | \$4,002 | \$266,363 | \$9,654 |
| Addition/(reversal) for the current period | - | 2,440 | 2,221 | 7,435 |
| Reclassification | - | (2,790) | 2,790 | - |
| As of 31 December 2021 | <u>\$907</u> | <u>\$3,652</u> | <u>\$271,374</u> | <u>\$17,089</u> |

(14) Leases

The Company is a lessee

The Company has entered into commercial leases for motor vehicles for an average term of one to three years with no renewal rights and no restrictions have been imposed on the Company under these leases.

The Company has entered into leases for forklifts for an average term of two to six months with no renewal rights and no restrictions have been imposed on the Company under these leases.

A. Income and costs relating to leasing activities

| | For the years ended 31 December | |
|--|---------------------------------|--------------|
| | 2022 | 2021 |
| The expenses relating to short-term leases | <u>\$604</u> | <u>\$380</u> |

(15) Summary statement of employee benefits, depreciation and amortization

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

expenses by function for the years ended 31 December 2022 and 2021:

| <div> <div></div> <div>Function</div> <div>Nature</div> </div> | For the years ended 31 December | | | | | |
|--|---------------------------------|--------------------|----------|-----------------|--------------------|----------|
| | 2022 | | | 2021 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries | \$20,914 | \$37,212 | \$58,126 | \$21,210 | \$36,378 | \$57,588 |
| Labor and health insurance | 2,164 | 3,291 | 5,455 | 2,030 | 3,256 | 5,286 |
| Pension | 678 | 1,680 | 2,358 | 685 | 1,823 | 2,508 |
| Remuneration to directors and supervisors | - | 2,161 | 2,161 | - | 1,182 | 1,182 |
| Other employee benefits expense | 813 | 631 | 1,444 | 879 | 811 | 1,690 |
| Depreciation | 16,730 | 7,588 | 24,318 | 17,290 | 7,940 | 25,230 |
| Amortization | 3 | 88 | 91 | - | 69 | 69 |

For the years ended 31 December 2022 and 2021, the number of employees of the Company were 87 and 85; the number of directors who were not concurrently employees were 10 and 5, respectively.

For the years ended 31 December 2022 and 2021, the average of employees benefits expense of the Company were NT\$775 thousand and NT\$822 thousand, respectively.

For the years ended 31 December 2022 and 2021, the average of employees salaries of the Company were NT\$668 thousand and NT\$708 thousand, respectively. The Company's average salary expense adjustment for the year ended 31 December 2022 increased by (5.65)%.

The company for the years ended 31 December 2022 and 2021, remuneration to supervisors of the Company were NT\$103 thousand and NT\$111 thousand, respectively.

The Company's remuneration policy for directors and managers is evaluated and reviewed by the Remuneration Committee on a regular basis, while the remuneration policy for employees is to review the levels of pay on an annual basis to provide employees with market-competitive salaries.

According to the Articles of Incorporation, at least 1% of profit of the

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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current year is distributable as employees' compensation and no higher than 8% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2022 to be 6.24% and 3.48% of profit, respectively, recognized as employee benefits expense and recognized employees' compensation and remuneration to directors and supervisors of \$1,862 thousand and \$1,040 thousand respectively.

A resolution was passed at the Board of Directors meeting held on 9 March 2022 to distribute NT\$1,862 thousand and NT\$1,040 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, respectively.

The amounts allocated to the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2021 were \$564 thousand and \$534 thousand, respectively. There was no difference between these amounts and the amounts recorded as expenses in the financial statements for the year ended 31 December 2021.

(16) Non-operating income and expenses

(a) Interest income

| | For the years ended 31 December | |
|---|---------------------------------|------|
| Financial assets measured at amortized cost | \$320 | \$77 |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Other income

| | For the years ended 31 December | |
|---------------|---------------------------------|----------------|
| Sample income | \$3,328 | \$1,183 |
| Rental income | 58 | 61 |
| Others | 5,743 | 8,618 |
| Total | <u>\$9,129</u> | <u>\$9,862</u> |

(c) Other gains and losses

| | For the years ended 31 December | |
|---|---------------------------------|------------------|
| Gains (losses) on disposal of property, plant and equipment | \$(174) | \$10 |
| Foreign exchange gains (losses), net | 3,456 | (3,557) |
| Fee expense | (1,462) | (1,500) |
| Reversal of impairment loss on non-financial assets | 174 | - |
| Mixcellaneous disbursements | (167) | (1,737) |
| Total | <u>\$1,827</u> | <u>\$(6,784)</u> |

(d) Finance costs

| | For the years ended 31 December | |
|-----------------------------|---------------------------------|-----------------|
| Interest on loans from bank | <u>\$18,610</u> | <u>\$17,576</u> |

(17) Components of other comprehensive income

For the year ended 31 December 2022

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|--|---------------------------|--|--|---|--|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | \$1,112 | \$ - | \$1,112 | \$(222) | \$890 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | 25,950 | - | 25,950 | - | 25,950 |
| Total of other comprehensive income | <u>\$27,062</u> | <u>\$ -</u> | <u>\$27,062</u> | <u>\$(222)</u> | <u>\$26,840</u> |

For the year ended 31 December 2021

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|--|------------------------------|---|---|--|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | \$(385) | \$ - | \$(385) | \$77 | \$(308) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | (27,388) | - | (27,388) | (3,942) | (31,330) |
| Total of other comprehensive income | <u>\$(27,773)</u> | <u>\$ -</u> | <u>\$(27,773)</u> | <u>\$(3,865)</u> | <u>(31,638)</u> |

(18) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

| | For the years ended 31 December | |
|---|------------------------------------|--------------|
| | 2022 | 2021 |
| Current income tax expense : | | |
| Current income tax charge | \$ - | \$ - |
| Deferred tax expense: | | |
| Deferred tax expense relating to origination and reversal of temporary differences | 396 | 543 |
| Total income tax expense (income) | <u>\$396</u> | <u>\$543</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Income tax relating to components of other comprehensive income

| | For the years ended 31 December | |
|--|------------------------------------|------------------|
| | 2022 | 2021 |
| Deferred tax (expense)income : | | |
| Exchange differences on translation of foreign operations | \$ - | \$(3,942) |
| Remeasurements of defined benefit plans | (222) | 77 |
| Income tax relating to components of other comprehensive income | <u>\$(222)</u> | <u>\$(3,865)</u> |

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended 31 December | |
|---|------------------------------------|-----------------|
| | 2022 | 2021 |
| Accounting profit (loss) before tax from continuing operations | <u>\$26,960</u> | <u>\$42,921</u> |
| Tax at the domestic rates applicable to profits in the country concerned | \$(5,392) | \$(8,584) |
| Tax effect of expenses not deductible for tax purposes | (108) | (805) |
| Unrecognized tax losses / deductible temporary differences | 5,896 | 9,932 |
| Total income tax expense recognized in profit or loss | <u>\$396</u> | <u>\$543</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2022

| | Balance as of 1 January | Recognized in profit or loss | Recognized in other comprehensive income | Balance as of 31 December |
|---|----------------------------|------------------------------------|---|---------------------------------|
| Temporary differences | | | | |
| Loss from price recovery (reduction) of inventories | \$4,931 | \$72 | \$ - | \$5,003 |
| Unrealized foreign exchange gains or losses | 27 | 540 | - | 567 |
| Impairment of non-financial assets | 9,850 | (35) | - | 9,815 |
| Property, plant and equipment - accumulated depreciation | (11,307) | (118) | - | (11,425) |
| Exchange differences on translation of foreign operations | - | - | - | - |
| Non-current liability – Defined benefit liability | 624 | (63) | - | 561 |
| Actuarial gain (loss) – Defined benefit | (952) | - | (222) | (1,174) |
| Deferred tax income (expense) | | <u>\$396</u> | <u>\$(222)</u> | |
| Net deferred tax assets (liabilities) | <u>\$3,173</u> | | | <u>\$3,347</u> |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | <u>\$15,432</u> | | | <u>\$15,946</u> |
| Deferred tax liabilities | <u>\$(12,259)</u> | | | <u>\$(12,599)</u> |

For the year ended 31 December 2021

| | Balance as of 1 January | Recognized in profit or loss | Recognized in other comprehensive income | Balance as of 31 December |
|---|----------------------------|------------------------------------|---|---------------------------------|
| Temporary differences | | | | |
| Loss from price recovery (reduction) of inventories | \$4,760 | \$171 | \$ - | \$4,931 |
| Unrealized foreign exchange gains or losses | (536) | 563 | - | 27 |
| Impairment of non-financial assets | 9,850 | - | - | 9,850 |
| Property, plant and equipment - accumulated depreciation | (11,180) | (127) | - | (11,307) |
| Exchange differences on translation of foreign operations | 3,942 | - | (3,942) | - |
| Non-current liability – Defined benefit liability | 688 | (64) | - | 624 |
| Actuarial gain (loss) – Defined benefit | (1,029) | - | 77 | (952) |
| Deferred tax income (expense) | | <u>\$543</u> | <u>\$(3,865)</u> | |
| Net deferred tax assets (liabilities) | <u>\$6,495</u> | | | <u>\$3,173</u> |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | <u>\$19,240</u> | | | <u>\$15,432</u> |
| Deferred tax liabilities | <u>\$(12,745)</u> | | | <u>\$(12,259)</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following table contains information of the unused tax losses of the Group:

| Year | Unused tax losses as at | | Expiration year |
|-------|-------------------------|------------------|-----------------|
| | 2022.12.31 | 2021.12.31 | |
| 2012 | 136,625 | 174,329 | 2022 |
| 2013 | 144,777 | 144,777 | 2023 |
| 2014 | 63,285 | 63,285 | 2024 |
| 2015 | 38,529 | 38,529 | 2025 |
| 2016 | 167,247 | 167,247 | 2026 |
| 2017 | 47,836 | 47,836 | 2027 |
| 2018 | 16,215 | 16,215 | 2028 |
| 2019 | 4,264 | 4,264 | 2029 |
| 2020 | 39,407 | 39,407 | 2030 |
| Total | <u>\$658,185</u> | <u>\$695,889</u> | |

Unrecognized deferred tax assets

As of 31 December 2022 and 2021, the Company have not recognized deferred tax assets amounting to NT\$130,308 thousand and NT\$150,014 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of 31 December 2022, the Company's income tax returns through 2019 have been assessed and approved by the tax authority.

(19) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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| | For the years ended 31 December | |
|---|---------------------------------|----------|
| | 2022 | 2021 |
| Basic earnings per share | | |
| Net income (in thousands) | \$27,356 | \$43,464 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 84,300 | 84,300 |
| Basic earnings per share (NT\$) | \$0.32 | \$0.52 |
| | | |
| | For the years ended 31 December | |
| | 2022 | 2021 |
| Diluted earnings per share | | |
| Net income attributable to the parent company (in thousands of NTD) | \$27,356 | \$43,464 |
| Net income attributable to the parent company after dilution (in thousands of NTD) | \$27,356 | \$43,464 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares) | 84,300 | 84,300 |
| Effect of dilution: | | |
| Employees' compensation – stock (thousand shares) | 146 | - |
| Weighted average number of ordinary shares after dilution (thousand shares) | 84,446 | 84,300 |
| Diluted earnings per share (NTD) | \$0.32 | \$0.52 |

The calculation of the Company's diluted earnings per share is consistent with the calculation of basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name and nature of relationship of the related parties

| <u>Name of the related parties</u> | <u>Nature of relationship</u> |
|---------------------------------------|-------------------------------|
| Pontex(Q.Y) Polyblend Co.,Ltd(Note 1) | Subsidiary |
| VietNam Bang Thai Polyblend Co.,Ltd | Subsidiary |

Note 1: Formerly known as Pontex China Changming Factory, which has been changed to Pontex (Q.Y) Polyblend Co. ,Ltd.on 24 September 2020.

A. Sales

The sales price to the Company related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 60~150 days, while the terms for overseas sales were month-end 150 days. The collection period for third party sales was month-end 10~165 days. The outstanding amounts at the end of the year are unsecured, interest-free and are repayable in cash. The receivables from the related parties were not guaranteed.

The Company's sales to related parties for the year ended 31 December 2022 are as follows:

| <u>Related parties</u> | <u>Transaction type</u> | <u>Amount</u> | <u>Financial statement accounts</u> | <u>Disclosure of related party transactions</u> |
|-------------------------------------|-------------------------|-----------------|--|---|
| Pontex(Q.Y) Polyblend Co.,Ltd | Sales | \$65,306 | Sales revenue, which has been offset against purchases | \$ - |
| VietNam Bang Thai Polyblend Co.,Ltd | Sales | 9,850 | Sales revenue, which has been offset against purchases | - |
| Total | | <u>\$75,156</u> | | <u>\$ -</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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The Company's sales to related parties for the year ended 31 December 2021 are as follows:

| Related parties | Transaction type | Amount | Financial statement accounts | Disclosure of related party transactions |
|-------------------------------------|------------------|------------------|--|--|
| Pontex(Q.Y) Polyblend Co.,Ltd | Sales | \$105,875 | Sales revenue, which has been offset against purchases | \$ - |
| VietNam Bang Thai Polyblend Co.,Ltd | Sales | 8,832 | Sales revenue, which has been offset against purchases | - |
| Total | | <u>\$114,707</u> | | <u>\$ -</u> |

B. Purchases

The purchase price from the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers were comparable with third party suppliers, which are between 30 to 106 days per month.

The Company's purchases from related parties for the year ended 31 December 2022 are as follows:

| Related parties | Transaction type | Amount | Financial statement accounts | Disclosure of related party transactions |
|-------------------------------------|------------------|------------------|--|--|
| VietNam Bang Thai Polyblend Co.,Ltd | Purchase | \$137,394 | Sales revenue, which has been offset against purchases | \$121,058 |
| Pontex(Q.Y) Polyblend Co.,Ltd | Purchase | 47,699 | Sales revenue, which has been offset against purchases | - |
| Total | | <u>\$185,093</u> | | <u>\$121,058</u> |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's purchases from related parties for the year ended 31 December 2021 are as follows:

| Related parties | Transaction type | Amount | Financial statement accounts | Disclosure of related party transactions |
|-------------------------------------|------------------|------------------|--|--|
| VietNam Bang Thai Polyblend Co.,Ltd | Purchase | \$133,990 | Sales revenue, which has been offset against purchases | \$ 125,158 |
| Pontex(Q.Y) Polyblend Co.,Ltd | Purchase | 22,724 | Sales revenue, which has been offset against purchases | - |
| Total | | <u>\$156,714</u> | | <u>\$ 125,158</u> |

C. Accounts receivable-related parties

| | As of 31 December | |
|-------------------------------|-------------------|-----------------|
| | 2022 | 2021 |
| Pontex(Q.Y) Polyblend Co.,Ltd | <u>\$7,165</u> | <u>\$16,633</u> |

D. Accounts payable-related parties

| | As of 31 December | |
|-------------------------------------|-------------------|-----------------|
| | 2022 | 2021 |
| VietNam Bang Thai Polyblend Co.,Ltd | \$82,567 | \$78,043 |
| Pontex(Q.Y) Polyblend Co.,Ltd | 48,610 | 17,995 |
| Total | <u>\$131,177</u> | <u>\$96,038</u> |

E. Key management personnel compensation

| | For the years ended 31 December | |
|------------------------------|---------------------------------|-----------------|
| | 2022 | 2021 |
| Short-term employee benefits | <u>\$15,131</u> | <u>\$14,117</u> |

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

| Items | Carrying amount | | Secured liabilities |
|--|------------------|------------------|-----------------------|
| | 31 December 2022 | 31 December 2021 | |
| Other current financial assets | \$ 24,174 | \$23,713 | Short-term borrowings |
| Property, plant and equipment - land and buildings | 384,374 | 386,459 | Borrowings |
| Total | <u>\$408,548</u> | <u>\$410,172</u> | |

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. Significant contingencies and unrecognized contract commitments

- A. Amounts available under unused letters of credit as of 31 December 2022 are NT\$7,850 thousand.
- B. Notes payable used as security for borrowings, processing and research and development that has not been recovered for cancellation as of 31 December 2022 are NT\$448,000 thousand.
- C. In July 2016, the Securities and Futures Investor Protection Centre (hereinafter referred to as the "SFIPC") filed a class action lawsuit on behalf of the Company's investors against the Company's former Chairman for his unauthorized investment in Suzhou Shangbang Optoelectronics Co., Ltd. without the approval of the Board of Directors, on the ground that the financial statements for the period from the fourth quarter of 2010 to the second quarter of 2012 were false and omitted and claimed for the Company for joint and several liability. According to the Company's assessment, the investment in Shangbang Co. was a personal wrongdoing of the former chairman in breach of his appointment and there were no false and omission in the financial statements. Given that Shangbang was not invested by the Company, the basis of the claim against the Company did not exist. The lawsuit was dismissed by the Taiwan Taichung District Court on 25 October 2018, which ruled against the SFIPC. However, the SFIPC filed an appeal on 26 December 2018, and on 27 May 2020, the Taiwan High Court Taichung Branch Court ruled that the Company and the other appellees were liable for a total compensation of \$62,248 thousand. On 16 June 2020, the Company's attorney filed an appeal to the Taiwan High Court against the ruling of the second trial, which was inconsistent with the interpretation of the law and the findings of fact. As the appellees in the second trial and the SFIPC have filed appeals in the third trial, based on the objective facts, the Supreme Court will most likely to annul the ruling of the second trial and order for a retrial. Therefore, the original ruling against the Company and others in the second trial will cease to exist and the legal position will be reverted to that of the first trial in which the Court ruled against the SFIPC. As at the reporting date of the financial statements, the litigation is still in progress hence the result of the case is not confirmed and it is not possible to predict the exact amount of compensation that may be claimed or awarded.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10. Losses due to major disasters

None.

11. Significant subsequent events

On 2 June 2022, the Group's shareholders' meeting approved the issuance of additional shares of common stock in three private placements of up to 30,000 thousand shares over a period of one year, in order to fund its working capital and repayment of loans. The Board of Directors resolved on 9 March 2023 that the pricing date for the Private Placement is to be set.

The price for the private placement of new shares is set at NT\$10 per share and the total amount to be raised is expected to be NT\$170,000 thousand. The base date for the private placement of additional capital is set at 23 March 2023, and the Chairman is authorized to make necessary adjustments. As of 9 March 2023, The relevant procedures are still in progress.

12. Others

(1) Categories of financial instruments

Financial assets

| | As of 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Financial assets measured at amortized cost (Note) | <u>\$330,567</u> | <u>\$355,819</u> |

Financial liabilities

| | As of 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Financial liabilities at amortized cost: | | |
| Short-term loans | \$407,044 | \$432,523 |
| Accounts payable (including related parties) | 181,845 | 174,644 |
| Long-term loans (including current portion with maturity less than 1 year) | <u>331,250</u> | <u>380,993</u> |
| Total | <u>\$920,139</u> | <u>\$988,160</u> |

Note: Including cash and cash equivalents (not including cash on hand), notes receivable, trade receivables, other receivables and other current financial assets.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period.

The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 are as follows:

| | <u>Equity (loss)</u> | <u>Profit / loss</u> |
|--------------------------------------|----------------------|----------------------|
| For the years ended 31 December 2022 | \$ - | \$1,125 |
| For the years ended 31 December 2021 | \$ - | \$187 |

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2022 and 2021 to decrease / increase by NT\$738 thousand and NT\$814 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2022 and 2021, amounts receivables from top ten customers represented 69% and 59% of the total accounts receivables of the Company. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|--|---------------------|-----------------|-----------------|-----------|-----------|
| As of 31 December 2022 | | | | | |
| Borrowings | \$491,423 | \$262,314 | \$7,120 | \$ - | \$760,857 |
| Notes and accounts payable (including related parties) | 181,845 | - | - | - | 181,845 |
| As of 31 December 2021 | | | | | |
| Borrowings | \$497,905 | \$146,141 | \$193,053 | \$ - | \$837,099 |
| Notes and accounts payable (including related parties) | 174,644 | - | - | - | 174,644 |

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

| | Short-term loans | Long-term loan(including maturity within a year) | Total liabilities from financing activities |
|------------------------|------------------|--|---|
| As of 1 January 2022 | \$432,523 | \$380,993 | \$813,516 |
| Cash flow | (25,479) | (49,743) | (75,222) |
| As of 31 December 2022 | \$407,044 | \$331,250 | \$738,294 |

Reconciliation of liabilities for the year ended 31 December 2021:

| | Short-term loans | Long-term loan(including maturity within a year) | Total liabilities from financing activities |
|------------------------|------------------|--|---|
| As of 1 January 2021 | \$370,436 | \$449,135 | \$819,571 |
| Cash flow | 62,087 | (68,142) | (6,055) |
| As of 31 December 2021 | \$432,523 | \$380,993 | \$813,516 |

(7) Fair values of financial instruments

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

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For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2022 and 2021: None

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of 31 December 2022 | | | As of 31 December 2021 | | |
|------------------------------|------------------------|-----------------------------|-----------|------------------------|-----------------------------|-----------|
| | Foreign currencies | Foreign exchange rate | NTD | Foreign currencies | Foreign exchange rate | NTD |
| <u>Financial assets</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$3,663 | 30.715 | \$112,509 | \$4,256 | 27.680 | \$117,806 |
| <u>Financial liabilities</u> | | | | | | |
| Monetary items: | | | | | | |
| USD | \$ - | 30.715 | \$ - | \$3,580 | 27.680 | \$99,094 |

The Company has a number of different functional currencies; therefore,

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company recognized NT\$3,456 thousand and NT\$(3,557) thousand foreign exchange gains (losses) for the years ended 31 December 2022 and 2021, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions:

(a) Financing provided to others for the year ended 31 December 2022:
None

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022:

| No. | Endorsement /guarantee provider (Company name) | Guaranteed party | | Limits on endorsement / guarantee amount provided to each guaranteed party (Notes 1 and 2) | Maximum Balance For the Period | Ending balance | Amount actually drawn | Amount of endorsement t/ guarantee collateralized by properties | Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements | Maximum endorsement t/ guarantee amount allowable (Note 2) | Guarantee provided by Parent Company | Guarantee provided by a subsidiary | Guarantee provided to subsidiaries in China |
|-----|--|-------------------------------------|------------------------|--|--------------------------------|----------------|-----------------------|---|---|--|--------------------------------------|------------------------------------|---|
| | | Name | Nature of relationship | | | | | | | | | | |
| 0 | The Company | VietNam Bang Thai Polyblend Co.,Ltd | Third-tier subsidiary | \$502,721 | \$40,544 | \$40,544 | \$40,544 | - | 4.84 | \$670,295 | Y | N | N |

Note 1 : The total amount of the endorsement/guarantee provided to a single entity shall not exceed 60% of the net worth of the Company.

Note 2 : The maximum amount of the endorsement/ guarantee is limited to 80% of the net equity of the Company's most recent financial statements.

(c) Securities held as of 31 December 2022 (Not including investments in

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subsidiaries, associates and joint ventures): None

- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.
- (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2022:

| Company name (Note) | Counterparty | Nature of relationships | Transaction details | | | | Circumstances under which the terms differ from those of ordinary transactions and the reasons | | Notes/accounts payable or receivable | | Note |
|---|---|----------------------------------|---------------------|-------------|---------------------------------------|----------------------|--|----------------------|---|--|------|
| | | | Purchases/ sales | Amount | % to total (sales) purchases | Paymen t terms | Unit price | Paymen t terms | Ending balance | % to total (receivables) / payables | |
| The Company | VietNam Bang Thai Polyblend Co.,Ltd | Parent and sub- subsidiary | Purchase | \$137,394 | 18.62% | Ordinary | Ordinary | Ordinary | \$(82,567) | (45.41)% | |
| VietNam Bang Thai Polyblend Co.,Ltd | The Company | Parent and sub- subsidiary | Sales | \$(137,394) | (77.89)% | Ordinary | Ordinary | Ordinary | \$82,567 | 97.27% | |

- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of year ended 31 December 2022: None.
- (i) Financial instruments and derivative transactions: None.
- (j) The business relationship, significant transactions and amounts

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

between parent company and subsidiaries:

| No. (Note 1) | Company name (Note 2) | Counterparty | Nature of relationships (Note 2) | Transaction details | | | |
|-----------------|--|--|--|-----------------------------------|--------------------|------------------------------|---|
| | | | | Financial statement account | Amount (Note 3) | Payment terms (Note 4) | % to total operating revenue or total assets (Note 5) |
| 0 | The Company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Sales | \$65,306 | - | 6.05% |
| 0 | The Company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Accounts Receivable | \$7,165 | - | 0.42% |
| 0 | The Company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Purchase | \$47,699 | - | 4.42% |
| 0 | The Company | Pontex(Q.Y) Polyblend Co.,Ltd | 1 | Accounts Payable | \$48,610 | - | 2.82% |
| 0 | The Company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Sales | \$9,850 | - | 0.91% |
| 0 | The Company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Purchase | \$137,394 | - | 12.73% |
| 1 | The Company | VietNam Bang Thai Polyblend Co.,Ltd | 1 | Accounts Payable | \$82,567 | - | 4.8% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The Company | 2 | Purchase | \$65,306 | - | 6.05% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The Company | 2 | Accounts Payable | \$7,165 | - | 0.42% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The Company | 2 | Sales | \$47,699 | - | 4.42% |
| 1 | Pontex(Q.Y) Polyblend Co.,Ltd | The Company | 2 | Accounts Receivable | \$48,610 | - | 2.82% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The Company | 2 | Purchase | \$9,850 | - | 0.91% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The Company | 2 | Sales | \$137,394 | - | 12.73% |
| 2 | VietNam Bang Thai Polyblend Co.,Ltd | The Company | 2 | Accounts Receivable | \$82,567 | - | 4.8% |

Note 1 : Information on business transactions between the parent company and the subsidiaries should be indicated separately in the numbered column as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially by company, starting with the Arabic numeral 1.

Note 2 : There are three types of relationship between the parties to the transaction, which can be identified as follows:

1. Parent company to a subsidiary.
2. A subsidiary to parent company.
3. A subsidiary to a subsidiary.

Note 3 : In accordance with the provisions of the letter of the Accounting Research And Development Foundation Interpretation 87-076, the transactions between the Company and Pontex(Q.Y) was subject to the accounting treatment for processing subcontract, and the amount of purchase and sales in this column is presented based on the actual amount of transaction before the offsetting of the Company's purchase and sales.

Note 4 : The term is determined based on the capital requirements of the subsidiaries and is not materially different from that of general customers.

Note 5 : The percentage of total amount of transactions to total consolidated operating revenues or total assets is calculated as the ending balance to total consolidated assets for assets and liabilities accounts, or as the cumulative amount to total consolidated operating revenues for profit and loss accounts.

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022 (Not including investments in mainland China):

(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Address | Main businesses and products | Initial investment amount | | Investment as at end of the period | | | Net income (loss) of investee Company | Investment income (loss) recognized | Note |
|--------------------------------|-------------------------------------|------------|---|-----------------------------|-----------------------------|------------------------------------|-----------------------------|----------------|---------------------------------------|--|--|
| | | | | Ending balance | Beginning balance | Number of shares (thousands) | Percentage of ownership (%) | Carrying value | | | |
| The Company | MULTITEX POLYBLEND CO., LTD. | Samoa | Holding company. | \$193,174 (USD6,000,020) | \$193,174 (USD6,000,020) | 6,000,020 | 100% | \$462,172 | \$36,464 | \$36,202 (Note 1) (Note 2) | A subsidiary of the Company |
| The Company | POLYTECH GLOBAL LIMITED | Seychelles | Holding company. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$292,493 | \$19,123 | \$18,722 (Note 1) (Note 2) (Note 3) | A subsidiary of the Company |
| POLYTECH GLOBAL LIMITED | Cleated Molding Global Limited | Seychelles | Holding company. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$282,021 | \$19,123 | \$19,123 (Note 1) | A sub-subsidiary of the Company |
| Cleated Molding Global Limited | VietNam Bang Thai Polyblend Co.,Ltd | Vietnam | Manufacture and sale of plastic pellets, plastic sports equipment together with parts thereof, shoes, shoe materials and parts thereof, and moulds. | \$280,559 (USD9,060,000) | \$280,559 (USD9,060,000) | 9,060,000 | 100% | \$282,019 | \$20,236 | \$19,122 (Note 1) (Note 3) | A third-tier subsidiary of the Company |

Note 1 : The recognized investment gains and losses for the current period include the investment gains and losses that are required to be recognized for the investment.

Note 2 : The investment gains and losses recognized in the current period include the effect of downstream transactions.

The investment gains or losses recognized in the current period include the effect of capitalization of interest on borrowings.

Note 3 : The investment gains and losses recognized in the current period include the effect of premiums on equity.

(2) If the issuer directly or indirectly exercises significant influence or control over an investee company, it shall disclose information on significant

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

transactions with the investee company:

There is no further information required to be disclosed under Article 17(2)(B) of the Regulations Governing the Preparation of Financial Reports by Securities Issuers in respect of the Company's investment activities, except for the following matters.

(a) Financing provided to others for the year ended 31 December 2022:

| No. | Financing Company | Counterparty | Financial statement account | Related party | Maximum balance for the period | Ending Balance(Limit approved by the Board) | Amount Actually Drawn | Interest rate | Nature for Financing (Note 1) | Transaction Amounts | Reason for short-term financing | Allowance for bad debt | Collateral | | Financing limits for each borrowing company (Note 2) | Financing Company's Total Financing Amount Limits (Note 3) |
|-----|-------------------------------------|----------------------------|--|---------------|--------------------------------|---|-----------------------|---------------|-------------------------------|---------------------|---------------------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | VietNam Bang Thai Polyblend Co.,Ltd | Pontex Polyblend Co., Ltd. | Accounts receivables – related parties | Y | \$23,061 | \$ - | \$ - | 0% | 2 | \$ - | Operating capital | \$ - | None | \$ - | \$98,218 | \$220,991 |

Note 1 : 1 represents business transactions and 2 represents the necessity of short-term financing.

Note 2 : The limit shall not exceed 40% of the net value of the Company's financial statements as last audited or reviewed by the CPA. However, the individual limit on the lending of funds between foreign companies in which the Company directly or indirectly holds 100% of the voting shares shall not exceed 90% of the net value of the most recent financial statements of the Company.

Note 3 : Shall not exceed 90% of the net value of the financial statements of the Company as last audited or reviewed by the CPA.

Note 4 : Pontex Polyblend Co., Ltd. has repaid USD750,795.71 to VietNam Bang Thai Polyblend Co., Ltd on 25 August 2022.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2022: None.

(c) Securities held as of 31 December 2022 (Not including investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2022: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2022: None.

(g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2022: Please refer to Note 13.(1)(g) for further details.

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of year ended 31 December 2022: None.

(i) Financial instruments and derivative transactions: None.

(3) Information on investments in mainland China

(a) Investment in Mainland China:

(Amounts in thousands; Currency denomination in NTD or in foreign currencies)

| Investee Company | Main businesses and products | Total amount of paid-in capital | Method of investment | Beginning accumulated outflow of investment from Taiwan | Investment flows for the period | | Ending accumulated outflow of investment from Taiwan | Net income (loss) of investee Company | Percentage of ownership | Investment income (loss) recognized (Note1) | Carrying value as at end of the period | Accumulated inward remittance of earnings as at end of the period |
|--------------------------------|--|---------------------------------|--|---|---------------------------------|--------|--|---------------------------------------|-------------------------|---|--|---|
| | | | | | Outflow | Inflow | | | | | | |
| Pontex (Q.Y) Polyblend Co.,Ltd | Manufacture and sale of plastic pellets, plastic sports equipment together with its parts and accessories, shoes, shoe materials together with its parts and moulds. | \$193,174 (RMB 44,325,843) | Investment in China through a company in the third region (MULTITEX POLYBLEND CO., LTD.) | \$193,174 (USD6,000,020) | \$ - | \$ - | \$193,174 (USD6,000,020) | \$36,458 | 100% | \$36,458 | \$463,822 | \$ - |

Note 1 : The investment gains and losses recognized in the current period are based on the financial statements of the investees audited by the CPA of the parent company in Taiwan.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Accumulated investment in China as of 31 December 2022 | Investment amounts authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|---|---------------------------|
| | | Net equity×60% |
| \$193,174 (USD6,000,020) | \$511,240 (USD17,081,509) | \$502,721 |

(b) Significant transactions through third regions with the investees in Mainland China:

1. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Refer to Note 13.1(10).
2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Refer to Note 13.1(10).
3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Information of major shareholders

As of 31 December 2022

| Main shareholder | Shares | Number of shares | Percentage of ownership (%) |
|------------------------------------|--------|------------------|-----------------------------|
| | | | |
| HENRY GLOBAL INVEST MENT CO., LTD. | | 5,000,000 | 5.93% |

6. If the Company or its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management.

7.1 Financial Position

Review and analysis of financial position and financial performance

Comparison and analysis of financial position

Unit: NT\$ thousands

| <div style="text-align: center;">Year</div> <div style="text-align: center;">Item</div> | 2022 | 2021 | Difference | |
|---|-----------|-----------|------------|---------|
| | | | Amount | % |
| Current Assets | 763,255 | 774,340 | (11,085) | (1.43) |
| Fixed Assets | 722,405 | 750,642 | (28,237) | (3.76) |
| Other Assets | 235,379 | 242,762 | (7,383) | (3.04) |
| Total Assets | 1,721,039 | 1,767,744 | (46,705) | (2.64) |
| Current Liabilities | 609,193 | 661,518 | (52,325) | (7.91) |
| Long-term Liabilities | 258,750 | 307,250 | (48,500) | (15.79) |
| Other Liabilities | 15,227 | 15,303 | (76) | (0.50) |
| Total Liabilities | 883,170 | 984,071 | (100,901) | (10.25) |
| Capital Stock | 843,000 | 843,000 | - | - |
| Retained Earnings | 34,434 | 6,188 | 28,246 | 456.46 |
| Other Adjustments | (39,565) | (65,515) | 25,950 | (39.61) |

| | | | | |
|---|---------|---------|--------|------|
| Total Stockholders' Equity | 837,869 | 783,673 | 54,196 | 6.92 |
| Analysis of changes in financial ratios: | | | | |
| <p>Explanation 1: The increase in retained earnings is mainly due to the decrease in credit impairment losses provided in the current period compared to the previous year, and the increase in foreign exchange gains due to the depreciation of the New Taiwan Dollar compared to the previous year.</p> <p>Explanation 2: The increase in other adjustments mainly resulted from an increase in exchange differences related to the financial statements of foreign operating entities compared to the same period last year. This is because for the consolidated financial statements of the Group, conversion is required from RMB to TWD and VND to TWD. The depreciation of VND against TWD in the current period is greater than that in the same period last year, resulting in a decrease in the cumulative translation adjustment recognized in the current period.</p> | | | | |

7.2 Financial Performance

7.2.1 Comparison and analysis of financial performance in recent two years

Unit: NT\$ thousands

| Item \ Year | 2022 | 2021 | Increased (deducted) Amount | Difference ratio (%) |
|--|-----------|-------------|-----------------------------|----------------------|
| Net revenue | 1,079,677 | 1,379,203 | (299,526) | (21.72) |
| Cost of revenue | (907,235) | (1,168,897) | (261,662) | (22.39) |
| Gross profit | 172,442 | 210,306 | (37,864) | (18.00) |
| Operating expenses | (153,903) | (164,939) | (11,036) | (6.69) |
| Operating income | 18,539 | 45,367 | (26,828) | (59.14) |
| Non-operating income and expenses | 5,411 | (8,018) | 13,429 | 167.49 |
| Profit from continuing Operations before Tax | 23,950 | 37,349 | (13,399) | (35.88) |
| Tax Benefit | 3,406 | 6,115 | (2,709) | (44.30) |
| Profit from Continuing Operations after tax | 27,356 | 43,464 | (16,108) | (37.06) |

Analysis of changes in financial ratios:

Explanation 1: The decrease in net revenue, cost of revenue, operating income, profit from continuing operations before tax, and profit from continuing operations after tax is mainly due to a decrease in revenue and a decrease in the provision for credit losses compared to the previous year.

Explanation 2: The increase in non-operating income and expenses is mainly due to the increase in foreign exchange gains caused by the depreciation of the NT\$ against foreign currencies compared to the previous year.

Explanation 3: The decrease in tax benefit is mainly due to adjustments for prior years' estimated taxes for subsidiaries and the provision for income tax for the company's subsidiary, Vietnam Pontex.

7.2.2 furnish a sales volume forecast and the basis thereof, the possible impact on the company's future financial business and response plan:

The Company's management authorities set sales volume targets based on market demand and development trends, and also consider the Company's production capacity.

In terms of sales execution, the Company has established high customer satisfaction through high-quality production and sales service capabilities, the professional quality and enthusiasm of the business team, and strong logistics support that has accumulated extraordinary achievements over the years. This year, the Company will continue to quickly grasp the pulse of the market, deeply cultivate customers, maintain the corporate brand image, adhere to the delivery and quality assurance of customers, to cultivate long-term stable customers. Additionally, expand the multi-party production and sales strategic alliances and boost the growth momentum of revenue to achieve the goal of expanding market share and increasing the profitability of enterprises.

7.3 Cash Flow

The prospectus shall: (1) analyze and explain any changes over the most recent fiscal year in the company's cash flows; (2) describe how the company plans to address any illiquidity problems; and (3) provide an analysis of the company's cash liquidity for the coming fiscal year.

7.3.1 Cash flow analysis for the current year

| Item \ Year | Year | | Variance (%) |
|------------------------------|------------------|------------------|--------------|
| | 31 December 2022 | 31 December 2021 | |
| Cash Flow Ratio (%) | 24.13 | 5.94 | 306.19 |
| Cash Flow Adequacy Ratio (%) | (6.59) | (44.21) | 85.10 |
| Cash Reinvestment Ratio (%) | 9.15 | 2.54 | 260.52 |

Analysis of financial ratio change:

The changes in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio are mainly due to the cash inflow from operating activities, resulting in an increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio.

7.3.2 Describe how the company plans to address any illiquidity problems: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

| Cash and Cash Equivalents, Beginning of Year (1) | Estimated Net Cash Flow from Operating Activities (2) | Estimated Cash Outflow (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Deficit | |
|---|--|-------------------------------|---------------------------------------|--------------------------|-----------------|
| | | | | Investment Plans | Financing Plans |
| \$151,394 | \$1,581,505 | \$1,488,293 | \$244,606 | \$- | \$- |

7.4 The Annual Report Shall Describe the Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

7.5 The Annual Report Shall Describe the Company's Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Re-Investment Profitability, and Investment Plans for the Coming Year: None.

7.6 Risks

The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report:

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Unit: NT\$ thousands

| Item | The effect on the company's profits (losses) | | Future response measures |
|---------------------------------|--|---------|---|
| | 2022 | 2021 | |
| Interest revenue | 630 | 179 | None |
| Interest expense | 19,255 | 18,236 | The company will adjust the selling price appropriately depending on the changes in market interest rates and exchange rate |
| Foreign exchange gains (losses) | 6,592 | (4,129) | As above |
| inflation | The recent changes in inflation have not significantly affected the company's operations, and have no significant impact on the company's profit and loss. | | The company will continue to carefully observe changes in the price index to reduce the losses. |

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company does not have behavior as high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions.

All are handled according to the policies and countermeasures formulated in the Company's "Procedure Governing the Acquisition and Disposal of Assets", "Tackling Procedure of Derivatives", "Procedure Governing Loaning of Funds" and "Regulations Governing Making of Endorsements/Guarantees".

7.6.3 Future Research & Development Projects and Corresponding Budget

The research and development strategy takes market competitiveness and high-quality products as the core. With the goal of environmental protection recycled PCR certification and zero carbon emissions in the future, the products will be used in commodities with the concept of the circular economy in the 3C industry, transportation industry, LED industry, sports equipment, biodegradable, bathroom hardware, household products, and green energy power generation. Additionally, the high-class material applications are mainly heat-resistant, aging-resistant, and low-moisture-absorption, such as mobile phone camera module connectors, capacitors, and bicycle transmissions which are durable and shockproof to possess the market share of high-class components.

Unit: NT\$ thousands

| Research Projects | Completion (%) | Expected Research Expenditure | Expected Completion Schedule | Major Risk Factor |
|-----------------------------|--|-------------------------------|------------------------------|--|
| Wafer transport carrier | The product 107~9 Ω /Sq is currently being traded, while another development of 101~2 Ω /Sq for wafer transport wheels is ongoing. | NT\$2.5 million | June 2023 | Nano dispersion technology and business promotion. |
| Electric drill motor gasket | High-end heat-resistant and low-moisture-absorbing PPS carbon fiber compound material has passed durability testing and has had a small | NT\$3 million | June 2023 | Raw material and formulation cost advantages and business promotion. |

| | | | | |
|---|---|-----------------|-----------|---|
| | number of transactions. | | | |
| Development of carbon fiber bicycle components. | The research of adding carbon fiber to various PCR nylon materials. | NT\$1.5 million | June 2023 | Linking to the global carbon reduction issue, the Company produces bicycle components using recycled materials. |

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales: None.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The company has always adhered to the operating principles with professionalism and integrity and emphasizes the corporate image and risk control. Currently, there is no foreseeable crisis.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The company's equity is dispersed, and there is no concentration of shareholding, so the risk of large-scale transfer of equity is not high.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

7.6.12 Litigation or Non-litigation Matters should . list major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices

of the company's securities, the annual report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of litigation commencement, the major parties to the litigation, and the status of the dispute as of the date of publication of the annual report:

In July 2016, the Company received a notification from the Securities and Futures Investors Protection Center (hereinafter referred to as the Investor Protection Center) that the former chairman of Pontex illegally invested in Suzhou Shangbang Optoelectronics Inc. (hereinafter referred to as Shangbang) without discussion and approval of the board of directors. The Investor Protection Center filed a class action suit on behalf of investors for fabricating and concealing financial statements from the fourth quarter of 2010 to the second quarter of 2012, suing Pontex to be jointly liable for compensation. According to the evaluation of the Company, the investment of Shangbang was an illegal act of personal misappropriation of funds by the former chairman in violation of the appointment relationship, and there was no fabrication and concealment in the financial statement. Therefore, there is no compensation against Pontex in this case. On 25 October 2018, the Taiwan Taichung District Court dismissed the lawsuit filed by the Investor Protection Center and the Investor Protection Center lost. The Investor Protection Center filed an appeal for the second instance on 26 December 2018, and the Taiwan High Court Taichung Branch Court changed the sentence to the Investor Protection Center on 27 May 2020. All of the defendants and the Investor Protection Center appealed to the third instance. The company also appealed to the Taiwan High Court Taichung Branch Court on 16 June 2020 (the day the court received the lawsuit). As of the date of the financial statements, the lawsuit is still in progress and the outcome of the case cannot be sure, nor can the exact amount of possible compensation be estimated.

7.6.13 Other Major Risks and countermeasures: None.

7.6.14 The risk management organization chart:

| Important risk assessment item | Direct risk control unit (First mechanism) | Risk consideration and control (Second mechanism) | Board of director and audit room (Third mechanism) |
|--|---|--|--|
| 1. The risk of interest rate, exchange rate, and financial risk. 2. High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, financial management investment | Finance department | Finance department | Board of director and supervisor: Decision of risk assessment and final control. |
| 3. The research and development plan 4. The change of policy and law 5. The change of technology and industry 6. The change of corporation image 7. Investment, reinvestment and benefit of mergers and acquisitions | R&D division General manager office Sales division Planning office Finance department | R&D division and 及 general manager office | Audit room: The inspection, assessment, supervision, improvement and |

| | | | |
|--|---|---------------------------------|--------------------------------|
| 8. Expand the factory or production | Production department | Production and sale meeting | tracking, and report of risks. |
| 9. Sales or purchasing operations, and mitigation measures being or to be taken. | Equipment business department and compound material business department | | |
| 10. Change of equity of directors, supervisors, and major shareholders | Shareholder Services, Board of director | Operating and regulated meeting | |
| 11. Changes in managerial control | Shareholder Services, Board of director | | |
| 12. Litigious and non-litigious matters | General manager office | | |
| 13. Other operational items | | | |

7.7 Other Important Matters:

7.7.1 The circumstance of the Company's personnel related to financial transparency obtaining the relevant certificates specified by the authority:

The circumstance of the Company's personnel related to financial transparency obtaining the relevant certificates specified by the authority as below:

CIA: 0 people

Enterprise internal control basic competence test held by Securities and Futures Institute: 2 people

CIA of ROC: 0 people

CPA of ROC: 0 people

Accounting Research and Development Foundation basic competence test: 2 people

7.7.2 Employees' code of conduct or ethics of the Company

A. The Company has formulated the "Employee Work Manual", "Personnel Management Regulations" and "Administrative Management Regulations" as the guidelines that Pontex's directors, supervisors, managers, and all employees should follow. When employees enter the factory, they sign a "Labor Contract". The main contents are:

- (1) All personnel behaviors should correspond with integrity and ethics, should truly abide by the company's various systems and regulations, and should not damage the company's interests or reputation due to personal interests.

(2) Employees shall maintain the confidentiality of confidential information, files, documents, and other related materials, charts, and reference documents known or held by the company.

(3) The periodic report submitted shall be disclosed in a complete, fair, correct, timely, and easy-to-understand manner.

(4) Treat customers and suppliers in a fair and mutually beneficial manner. (The company's business philosophy-professionalism, innovation, value, and sharing. The quality goals-satisfaction of customers, employees, and shareholders.)

(5) Protect the company's assets for effective use.

(6) Comply with various government laws and regulations.

(7) When there is a violation of this code of conduct or the possibility of violation, it should promptly report to the control unit and personnel listed in this code of conduct.

B. When the various personnel and administrative regulations are added or revised, the employees will be informed. Therefore, employees could clearly understand the various codes of conduct. If employees encounter deeds or behaviors that could be rewarded or warned, they will be rewarded or punished by the Company's "Reward and Punishment Management Measures". Or included in the evaluation points during the employee's semi-annual performance evaluation.

7.7.3 Procedures for handling material inside information of the Company

The Company has established procedures for handling material inside information, signed a confidentiality agreement with all employees of the company and signed a statement to prevent insider trading with directors and supervisors, to avoid violations and insider trading.

The procedures for handling material inside information formulated by the Company are formulated in the "Procedures for Handling Material Inside Information" in the administrative management regulation

7.7.4 The working environment and protection measures for employees' safety of the Company

A. The Company has obtained the ISO14001 Environmental management systems. The primary obligation is to construct a safe, comfortable, healthy, and hygienic working environment. To improve the working environment and personnel safety, the Company holds safety and health education training in machinery equipment and fire safety regularly. Furthermore, annual regular inspections and maintenance to ensure the relevant equipment is in a usable status. Additionally, a fire drill is carried out for all employees once half a year to ensure that all employees have received appropriate and necessary emergency response training and could perform their duties, to comprehensively prevent occupational disasters.

For the personal safety of all employees, for the access security part, the factory and the surroundings are equipped with a complete monitoring system, which is managed and maintained by a dedicated person. A security company is signed to control the personnel and vehicles entering and leaving the factory to keep the safety of the factory. The Company insured the group insurance for employees to provide necessary assistance timely when employees suffer from illness or occupational disasters, to increase the rights of employees at work.

B. The Company regularly conducts employee health checks, sets up first aid personnel and first aid kits following the law, and conducts disinfection inside and outside of the factory from time to time to maintain the health of employees.

C. For contractors, in addition to conducting safety training for contractors who enter the factory, the Company also inspects, manages, and supervises the construction site from time to time.

D. Formulate the norm for managing suppliers:

| Norm | Approach | Standard |
|---|---|--|
| <ul style="list-style-type: none"> ● Regulations of supplier environmental impact management ● Safety data sheet (SDS) ● REACHSVHC Guarantee | <ul style="list-style-type: none"> ● New suppliers must comply with the hazardous substance safety standard testing report, and the latest version of the testing report must be obtained through platform management to ensure compliance. ● Aim not to use banned substances for 100%. ● The priority suppliers are the manufacturers that meet ISO 14001 certification and comply with the environmental and hazardous substance management system. | <ul style="list-style-type: none"> ● RoHs ● REACH ● ISO14001 ● IATF16949 |

E. The Company's "Employee Work Manual" clearly lists various safety and health work rules. The day when employees enter the factory, in addition to distributing the "Employee Work Manual", the Company also provides labor safety education training and working environment introduction.

VIII. Special Disclosure

8.1 Information Related to the Company's Affiliates

1. Consolidated business report of affiliates:

1. Affiliated companies overview

(1) Organizational chart of the affiliates

| | | | | |
|---|--|---|---|----------|
| 邦泰複合材料股份有限公司 | | | | |
| 長期投資組織架構圖 | | | | |
| 111.12.31 | | | | |
| | | | | |
| 邦泰複合材料股份有限公司(NTD) 器材、複材製造與買賣 | | | | |
| | | | | |
| | | 持股比率100% | | 持股比率100% |
| | | | | |
| MULTITEX POLYBLEND CO.,LTD.(NTD) Holding | | POLYTECH GLOBAL LIMITED(NTD) Holding | | |
| | | | | 持股比率100% |
| | | | | |
| | | 持股比率100% | CLEATED MOLDING GLOBAL LIMITED(NTD) Holding | |
| | | | | 持股比率100% |
| 清遠邦泰複合材料有限公司(RMB) 器材、複材製造與買賣 | | 越南邦泰責任有限公司(VND) 器材、複材製造與買賣 | | |
| | | | | |

(2) The name, incorporation date, address, paid-in capital, and main business items of each affiliate

| Company | Date of Incorporation | Address | Paid-in Capital | Major Business Item |
|--|-----------------------|---|-------------------|---|
| MULTITEX POLYBLEND CO.,LTD | 28 March 2007 | Portcullis TrustNet Chambers, P.O.BOX1225, Apia, Samoa. | USD 6,000,020 | Holding company |
| Pontex(Q.Y) Polyblend Co., Ltd. | 20 July 2007 | 33 Longwan Avenue, Taiping Town, Qingxin District, Qingyuan City. | RMB 44,325,843 | Production and sales of plastic particles, plastic sports equipment and its components, shoes, shoe materials, and their components, and molds. |
| POLYTECH GLOBAL IMITED | 17 December 2015 | NO.24, Lespperance Complex, Providence Industirial Estate, Mahe, Seychelles | USD 9,060,000 | Holding company |
| CLEATED MOLDING GLOBAL | 17 December 2015 | NO.24, Lespperance Complex, Providence Industirial Estate, Mahe, Seychelles | USD 9,060,000 | Holding company |
| Viet Nam Bang Thai Polyblend Co., Ltd.(VietNam Pontex Polyblend Co., Ltd.) | 09 October 2007 | Lot J – 2 – CN, My Phuoc 2 Industrial Park, Chanh Phu Hoa ward, Ben Cat town, Binh Duong province. (J-2-CN building, Meifu 2 Industrial Zone, Binh Khuong commune, Ben Cat town, Binh Duong province, Vietnam.) | USD 9,060,000 | Production and sales of plastic particles, plastic sports equipment and its components, shoes, shoe materials, and their components, and molds. |

(3) The reason and personnel-related information that affiliation is presumed to have a relationship of control and subordination: Not applicable.

(4) The industries covered by the business operated by the affiliates overall: The business of the Company and affiliated companies are the production and sale of plastic particles, plastic sports equipment and its components, shoes, shoe material, and its components, mold, vehicle's components, and production and processing of engineering plastic and plastic alloy.

(5) The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding in such affiliate:

| Company | Title | Name or Representative | Shares (Investment Amount) | % (Investment Holding %) |
|----------------------------|------------|---|----------------------------|--------------------------|
| MULTITEX POLYBLEND CO.,LTD | Director | Pontex Polyblend Co., Ltd. Legal representative: SHEN, MAO-KEN | 6,000,020 shares | 100.00% |
| | Supervisor | None | – | – |

| | | | | |
|---|-----------------|---|------------------|---------|
| | General Manager | None | - | - |
| Pontex(Q.Y) Polyblend Co., Ltd. | Director | MULTITEX POLYBLEND CO.,LTD Legal representative: SHEN, MAO-KEN | 6,000,000 shares | 100.00% |
| | Director | None | - | - |
| | Supervisor | LAI, HSING-YI | - | - |
| | General Manager | TSENG, SAN-PI | - | - |
| POLYTECH GLOBAL IMITED | Director | Pontex Polyblend Co., Ltd. Legal representative: YU, YU-FA | 9,060,000 shares | 100.00% |
| | Director | YU, YU-FA | - | - |
| | Supervisor | None | - | - |
| | General Manager | None | - | - |
| CLEATED MOLDING GLOBAL | Director | POLYTECH GLOBAL IMITED Legal representative: YU, YU-FA | 9,060,000 shares | 100.00% |
| | Director | YU, YU-FA | - | - |
| | Supervisor | None | - | - |
| | General Manager | None | - | - |
| Viet Nam Bang Thai Polyblend Co., Ltd.(VietNam Pontex Polyblend Co., Ltd.) | Director | CLEATED MOLDING GLOBAL Legal representative: YU, YU-FA | 9,060,000 shares | 100.00% |
| | Supervisor | None | - | - |
| | General Manager | YU, YU-FA | - | - |
| | General Manager | TSENG, SAN-PI | - | - |

2. Affiliated companies overview

Unit: NT\$ thousands

| Company | Capital Stock | Assets | Liabilities | Net Worth | Net Revenues | Operating Profit (Loss) | Net Profit (Loss) (after tax) | Earnings per Share (NT\$) (after tax) |
|--|---------------|-----------|-------------|-----------|--------------|-------------------------|-------------------------------|---------------------------------------|
| Pontex Polyblend Co., Ltd. | 843,000 | 1,794,773 | 956,904 | 837,869 | 788,908 | (20,630) | 27,356 | 0.32 |
| MULTITEX POLYBLEND CO., LTD. | 193,174 | 464,687 | 0 | 464,687 | 0 | (28) | 36,464 | 6.08 |
| Pontex(Q.Y) Polyblend Co., Ltd. | 193,174 | 495,360 | 31,538 | 463,822 | 305,075 | 15,729 | 36,458 | 6.08 |
| POLYTECH GLOBAL IMITED | 280,559 | 282,022 | 0 | 282,022 | 0 | 0 | 19,123 | 2.11 |
| CLEATED MOLDING GLOBAL | 280,559 | 282,021 | 0 | 282,021 | 0 | 0 | 19,123 | 2.11 |
| Viet Nam Bang Thai Polyblend Co., Ltd. (VietNam Pontex Polyblend Co., Ltd.) | 238,283 | 290,393 | 44,847 | 245,546 | 176,397 | 22,458 | 20,236 | 2.23 |

Note 1: The Company table information above is up to 31 December 2022.

Note 2: All affiliated companies, regardless of size, should entirely be disclosed.

Note 3: If the affiliated company is a foreign company, the relevant figures should be converted into NT\$ based on the exchange rate on the reporting date.

Current exchange rate: USD:NT\$=1: 30.715 , RMB:NT\$=1:4.409 , VND:NT\$=1: 00130 ;

Average exchange rate: USD:NT\$=1:29.85 , RMB:NT\$=1:4.422 , VND:NT\$=1:00127

(2) Consolidated financial statements of affiliated companies: Please refer to PP.200-294

(3) Affiliation Report: None.

2. Status of the Company Has Carried Out a Private Placement of Securities During the Most Recent Fiscal Year or the Current Fiscal Year up to the Date of Publication of the Annual Report:

The Company received 6,666,000 shares of Houndey Enterprise Co., Ltd.'s private placement of common stock on 23 March 2023, and received NT\$66,660,000.

3. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

4. Other Matters that Require Additional Description: None.

IX. If Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities And Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, has Occurred During the Most Recent Fiscal Year or the Current Fiscal Year up to the Date of Publication of the Annual Report, Such Situations Shall Also Be Listed One by One: None.

Pontex Polyblend Co., Ltd.

Chairman: Henry Global Investment Co., Ltd.