



Stock Code: 2114

Hsin Yung Chien Co., Ltd.

2023 Annual Report

Annual report URL: <http://mops.twse.com.tw>
<http://www.hyc-king.com>

Published on March 30, 2024

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V. Name of the trading place where overseas securities are listed for trading and the method of inquiry of overseas securities: None.

VI. The Company's website: <http://www.hyc-king.com>

Table of Contents

One. Letter to Shareholders.....	3
Two. Company Profile.....	9
I. Date of establishment:	9
II. Company history:	9
Three. Corporate Governance Report	12
I. Organizational System	12
II. Information about directors, president, vice presidents, assistant vice presidents, and heads of departments and branches:	15
III. Remuneration paid during the most recent fiscal year to directors, president, and the vice presidents	26
IV. Corporate Governance Operation Status	30
V. Information on the professional fees of the attesting CPAs.....	84
VI. Information on replacement of CPAs.....	85
VII. The chairperson, president or manager in charge of financial or accounting affairs of the company who has served in the CPA firm or its affiliated enterprises within the most recent year.....	85
VIII. For the most recent year and up to the date of printing of the annual report, the transfer of shares and changes in pledges of shares by directors, managers, and shareholders holding more than 10% of the shares	86
IX. For the top ten shareholders in shareholding, the information on their relationships as related parties or spouses or relatives within the second degree of kinship:.....	88
X. The number of shares held by the company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the consolidated shareholding ratio.	88
Four. Fund Raising	89
I. Capital and shares:	89
II. Handling of corporate bonds and convertible corporate bonds:	96
III. Handling of special shares:	96
IV. Handling of overseas depository receipts:	96
V. Handling of employee stock option certificates:	97
VI. Handling of new shares with restricted employee rights:	99
VII. Handling of issuance of new shares for the merger or acquisition of shares of other companies:	99
VIII. Implementation of fund utilization plan:	99
Five. An Overview of Operations.....	100
I. Business Contents:	100
II. Overview of the Market and Production and Sales Status	106
III. Employee data in the last two years and up to the date of printing of the annual report:..	114
IV. Information on Environmental Protection Expenditure.....	114

V. Labor relations.....	115
VI. Cybersecurity Management.....	117
VII. Important Contracts.....	119
Six. Financial Status Overview	120
I. Condensed Financial Data of the Last Five Years:.....	120
II. Financial Information Analysis for teh Past 5 Fiscal Years:.....	122
III. Audit Report of the Audit Committee on the Latest Annual Financial Report:	124
IV. Latest Annual Financial Report.	125
V. The individual financial report of the Company audited and certified by CPAs for the last year.....	125
VI. If the Company and its affiliated enterprises have financial turnover difficulties in the last year and up to the date of printing of the annual report, the impact on the financial situation of the Company shall be listed:	125
Seven. Review and Analysis of the Financial Situation and Financial Performance and Risks	126
I. Financial Position:	126
II. Financial Performance	127
III. Cash Flow Analysis	128
IV. Impact of Major Capital Expenditure in the Last Year on Finance and Business	128
V. Reinvestment Policy in the Last Year, Main Reasons for Profit or Loss, Improvement Plan and Investment Plan for the Next Year:.....	129
VI. Risks	129
VII. Other important matters.	132
Eight. Special Notes	133
I. Affiliated Enterprises	133
II. Private placement of securities in the last year and up to the date of printing of the annual report.	134
III. The holding or disposal of the Company's shares by subsidiaries in the last year and up to the date of printing of the annual report.....	134
IV. Other necessary supplementary explanations.....	134
Nine. In the last year and up to the date of printing of the annual report, if there are any of the events specified in Article 36, paragraph 2, subparagraph 2 of the Act that have a significant impact on shareholders' equity or securities prices, state them one by one	134

One. Letter to Shareholders

Dear shareholders,

First of all, I would like to thank all of you for your support and encouragement over the past year so that Hsin Yung Chien can continue to grow and share the business results with shareholders. The following is a report on our 2023 operating results and the operating outlook for 2024.

I. Report on the 2023 Business Results

(I) Business plan implementation results

The net operating income of the Company in 2023 was NT\$1,558,156 thousand, decreased by 16% compared with NT\$1,845,955 thousand in 2022, and the operating income in 2023 was NT\$525,319 thousand, decreased by 12% compared with NT\$596,811 thousand in 2022.

This year's revenue decreased by 16% from the same period last year, mainly due to the continued increase in interest rates by major countries in Europe and the United States to curb inflation and the significant slowdown of manufacturing activities in every country with the ongoing Russo-Ukrainian War, resulting in a decrease in demand, which in turn affected the revenue and income. Despite the decrease in revenue, the Company's gross profit margin is still good as it continues to optimize the product portfolio. Due to the proper control of expenses and the significant decrease in export sea freight, there is growth in operating margin compared to the same period last year.

In 2022, the Company's non-industry investment in marine shares had fallen sharply due to the significant drop in market price, resulting in unrealized valuation losses. In 2022, the Company's non-industry investment had been fully disposed, so the non-industry investment as a whole was still a net investment gain; there was no such non-industry investment in 2023.

Unit: NT\$ thousands

Item \ Year	2023	2022	Increase (decrease) rate
Net operating income	1,558,156	1,845,955	(16%)
Operating costs	(898,864)	(1,004,048)	(10%)
Gross operating profit	659,292	841,907	(22%)
Operating expenses	(133,973)	(245,096)	(45%)
Net operating income	525,319	596,811	(12%)
Non-operating income (expenses)	58,002	(81,048)	172%
Income (loss) before income tax	583,321	515,763	13%
Income tax expense	(114,136)	(123,792)	(8%)
Profit	469,185	391,971	20%
EPS after tax	6.02	Operating 6.07- non-operating 1.04 =5.03	

(II) Budget execution status:

According to current laws and regulations, the Company did not publicly disclose financial forecast data externally in 2023, and the overall actual operating status and performance are roughly equivalent to the internal business plan formulated by the Company.

(III) Analysis of financial revenue and expenditure and profitability:

Item		2023	2022
Financial structure (%)	Debt to asset ratio	19	16
	Current ratio	649	567
Solvency (%)	Quick ratio	593	499
	Return on assets	13	11
Profitability (%)	Return on equity	15	13
	Net profit margin (%)	30	21
	Earnings per share (NT\$)	6.02	5.03

(IV) Research and Development:

1. Rubber products

In the future, the focus of our research and development will still be on the improvement of materials, structures and manufacturing processes. In addition to continuing to research and develop more specifications for existing products, HYC will focus on mold improvement and innovation. For chemical fiber cloth raw materials, HYC is cooperating with domestic manufacturers to develop high-strength fabrics, which are suitable for high impact products with advantage of replacing multi-layer fiber fabrics. Our efforts in rubber are in line with the current trend towards green energy conveyor belts, energy-saving conveyor belts, super heat-resistant and oil resistant conveyor belts, wear-resistant and flame resistant conveyor belts, and other special types of rubber, allowing customers to have a more diversified selection of products. Recently the main direction of R&D is cooperating with customers to jointly develop special products such as rubber dam and wave power sheet for hydropower, to create products with higher added value.

2. Composite material products

Newsheet's environment friendly and recyclable composite materials participated in the 2023 Paris JEC composite material exhibition, the Eurobike Show and Taichung Week Bicycle Show and gained recognition and appreciation from many brands and customers to provide a better material choice for those who have long used non-recyclable and not environmentally friendly thermally stable carbon fiber composite materials in the motor bike industry.

In the post-pandemic era, the global economy has declined and the outbreak of wars in Ukraine and the Middle East have rendered the global economy no prospect of recovery. In the main markets such as Europe and the United States, the inventory levels of various brands of bicycles take more than half a year to clear the inventory or even longer.

How to boost the economy and stimulate the recovery of the consumer market has become a top priority for all countries or brand operators. At the same time, Newsheet must also prepare for mass production of new products during this period, coupled with the training of process equipment and personnel, we want to be optimally prepared in this sluggish economy. The first time the economy recovers, it will be able to increase the proportion of revenue and contribute to the Company's overall revenue.

The following is a description of the progress of product development and promotion:

A. Electric bicycle frames:

In 2023, the production lines were gradually completed and the development of electric mountain climbing bicycle frames together with a famous American bicycle brand entered the final verification stage, waiting to be completed. However, the inventory level of the brand's old models is still high, and the launch of the brand will be postponed.

It is a well-known European bicycle brand. The cooperation of new product plans has been postponed due to excessive inventory and the new product development plan will not be launched until the second or third quarter of 2024. In the 2024 exhibition plan, we will participate in the Taipei Bicycle Show to promote exposure and cooperate with foreign trade associations around the world to develop more bicycle customers and generate more revenue.

B. Thermoplastic carbon fiber composite bicycle wheel rims

In 2024, machines, equipment and production lines were gradually completed and product validation and related safety tests of thermoplastic carbon fiber composite bicycle wheel rims are expected to be completed in the second quarter and samples will be sent to relevant customers. If all goes well, the company can begin taking orders and mass-producing. The production capacity can be expanded to meet the customer's needs according to the customer's business promotion time.

II. **Summary of the 2024 Business Plan**

(I) Business policy:

1. Actively develop the polymer composite product market
Accelerate the mass production schedule of new product lines and actively develop domestic and export markets.
2. Upgrade brand awareness
Upgrade product quality, establish brand awareness, and upgrade customer satisfaction.
3. Product category optimization
Create product diversification and differentiation and improve product added value.
4. Strengthen the training of human resources
As HYC is growing day by day, actively cultivate and establish its talent pool, conduct employee training, implement employee performance appraisal and evaluation, and improve employee satisfaction.
5. Carbon reduction
Achieving net zero carbon emissions is not only the international trend, but

also an important way to enhance the green competitiveness of enterprise HYC will reduce carbon emissions by sustainable design, raw material procurement and green manufacturing. Get ahead of our customers.

(II) Expected sales volume and its basis:

The sales volume is determined according to the market demand and development trend, customer operation profile and the current situation of received orders of the Company, taking the output capacity of the Company into account. The target sales volume is 10,000 thousand kg.

(III) Important production and marketing policies:

1. Sales policy: Actively develop new product markets and customer promotion, create product diversification and differentiation, and improve product added value.
2. Production policy: Comply with customers' delivery dates, reserve capacity for quick order insertion, and increase machine adaptability.

(IV) Future company development strategy:

In addition to actively promoting product optimization and increasing the number of high value-added products, the Company focuses on its core business to differentiate rubber products and avoid low price competition. Among its composite material products, the Company combined 50 years of process technology and rubber research and development in its electronic grade heat-resistant cushioning pads, and developed environment-friendly cushioning pads that are stable with the capability of automated production and barcode management, and can be applied in the electronic industry. The thermoplastic composite material the Company developed has the characteristic of high temperature resistance up to 330°C, high strength that can be used to replace metals, environment-friendliness, recyclability and lightweight, and can be widely used in fields such as daily life and automobiles, and is expected to bring revenue in the future.

III. Impact of the external competitive environment, regulatory environment, and overall business environment

(I) External competition :

This is mainly due to the increasingly fierce price competition among industry peers and the rising cost of raw materials. However, the Company has developed relevant countermeasures to differentiate products, avoid vicious price competition, and face challenges by improving added value and the quality of products.

(II) Impact of the regulatory environment:

The management of the Company pays attention to important domestic and foreign policy and legal changes at all times, and proposes countermeasures at any time.

(III) Operating environment :

Looking ahead to the global economy in 2024, the world's largest economies, including the United States, mainland China, and European Union countries, are experiencing moderating growth. This trend follows the low-speed economic growth seen in 2023, presenting a "soft landing" phenomenon. International organizations such as the IMF predict that global economic growth will reach 2.9% in 2024, which is 3.8% lower than the historical average and the lowest in 10 years. However, the global economic landscape is also marked by intensifying international geopolitical crises, including the Russia-Ukraine war, the Israel-Gaza conflict, tensions in the Middle East, and the situation in the Taiwan Strait. The United States, along with some European countries, India, Indonesia, and Taiwan, are all facing elections in 2024, adding further complexity to the international political and economic situation. It is crucial to remain vigilant and handle these challenges prudently.

Looking ahead, in addition to prudently responding to international changes, the Company will be committed to developing new products and improving the utilization rate of new factory production capacity, so that the Company can continue to develop steadily and grow continuously.

When the operation is affected by external environmental changes, it is also necessary to adopt corresponding strategies from time to time to minimize the impact or effect on the enterprise, so as to ensure the achievement of goals. This will enable the Company to continue to grow and thrive in its core business, continuously enhance shareholder value, and benefit all employees.

I would like to wish you all good health and good luck.

Hsin Yung Chien Co., Ltd.

Lin, Chi-Chin, Chairperson

Two. Company Profile

I. **Date of establishment:** August 22, 1969.

II. **Company history:**

- 1969 Hsin Yung Chien Industrial Corp. was founded in Taichung by Mr. Lin, Chin-Chang (the late father of Chairperson Lin, Chi-Chin). With a capital of NT\$500,000, a plant of about 100 square meters, and four employees, the Company forged ahead to build a solid foundation, with an annual turnover of NT\$2 million.
- 1978 Lin, Chi-Chin, the founder's eldest son, took over as the chairperson of the Company. At that time, Lin was only 25 years old, and the business was facing the test of an important turning point.
- 1980 The Company was renamed Hsin Yung Chien Industrial Co., Ltd. and moved to Nangang Industrial Zone, Nantou City (covering an area of 8,400 square meters).
- 1985 Under the wise leadership of Chairperson Lin, Chi-Chin, all employees worked as one to make their best effort. In June, the Company received the "CNS Mark" award from the Central Bureau of Standards.
- 1986 The Company won the title of Excellent Import and Export Manufacturer issued by the Ministry of Economic Affairs.
- 1994 Hsin Yung Chien cooperated with the Mechanical Institute of Industrial Technology Research Institute to develop a plastic roller press and automatic assembly.
- 1995 The Company's chairperson was elected as the chairperson of the Distinguished Citizens Society of Nantou County. The Northern Taiwan Branch was established and the construction of the plant and equipment was completed. The Company also obtained the "ISO 9001 International Quality Standard Certification" issued by the Bureau of Commodity Standards, MOEA.
The "Five Year Development Plan" was formulated.
- 1996 Chairperson Lin won "The 4th Outstanding SME Award" and a national model of respect for the military. He was also summoned by former President Lee, Teng-Hui many times. The chairperson was elected as the chairperson of the Nantou County Import and Export Trade Union.
- 1999 Introduced the CIS enterprise identification system. The Company planned to stay in Taiwan to build the Hsin Yung Chien Second Factory after the 921 earthquake, and President Chen, Shui-Bian came to the factory to give encouragement.

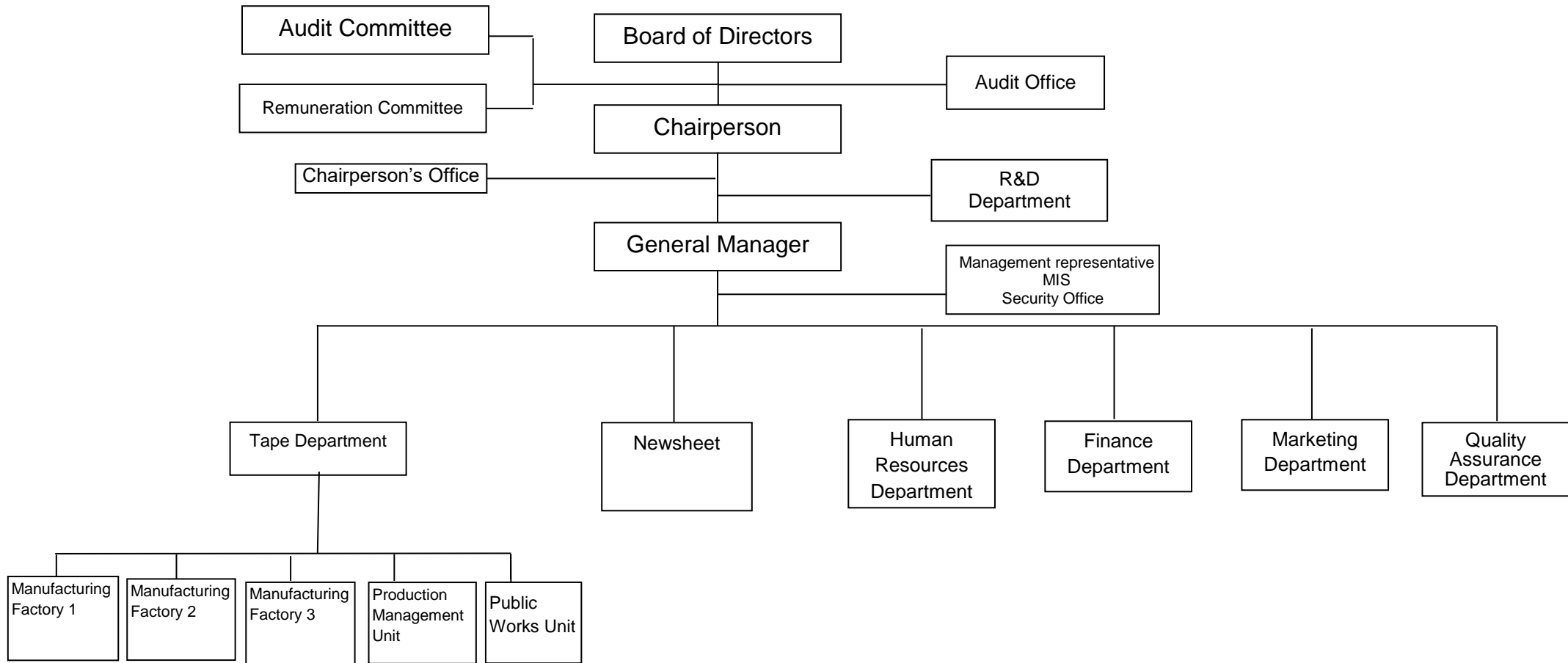
- 2000 Won “The 4th Outstanding SME Award”. The construction of Hsin Yung Chien’s Factory II officially started in January 2001.
- 2001 The new plant introduced the largest calender in Asia. The new plant introduced six continuous curring machines.
- 2002 Factory II and the new office building were opened. Introduced the ERP enterprise resource management system.
- 2003 Handled the public offering of stock. The Company’s name was changed to “Hsin Yung Chien Co., Ltd.”.
- 2004 The company stock is listed in emerging market.
- 2005 Won the 14th National of Outstanding SEMs.
- 2006 In September, the Company’s shares were listed in OTC.
In November, the Company won the fourth “Taiwan Enterprise Award”.
- 2007 Constructed the new Factory I, III and IV.
- 2008 The three new factories were completed and mass production began.
- 2009 Obtained the “ISO 14001 Environmental Management System Certification” issued by the Bureau of Standards, Metrology and Inspection, MOEA.
Indirectly invested in the mainland subsidiary Hsin Yung Chien Trading (Tianjin) Co., Ltd. (renamed Hsin Yung Chien Rubber (Tianjin) Co., Ltd. in 2010).
- 2010 In December, the Company’s shares were listed (IPO).
Passed the OHSAS “18001/TOSHMS Occupational Safety and Health Management System (international/Taiwan)”.
- 2011 The use of “environment-friendly, energy-saving and long-acting electronic hot pressing cushion pad and “continuous flexible electric heater application” in the PCB industry’s hot pressing process won the gold medal and silver medal of the 63rd iENA award.
The “CSR Award” awarded by MOEA.
- 2012 HYC won the first place in the greening of the industrial park in 2012.
- 2013 “The 1st Mittelstand Award” awarded by MOEA..
- 2014 The 50th anniversary of the Company.
Registered the trademark of the new product for NEWSheet.
- 2015 HYC KOREA Co., Ltd. was established in Korea in the form of a joint venture, with 65% shares held by the Company.
Won number 45 among the top 50 of the Common Wealth Magazine's 2000 Most Profitable Manufacturing Companies in 2015.

- 2016 Won number 42 among the top 50 of the Common Wealth Magazine's 2000 Most Profitable Manufacturing Companies in 2016.
Ended the investment in the Korean subsidiary.
- 2017 Equipped the plants with solar panels, with a total capacity of 1,000 kilowatts and an average annual output of at least 1.2 million kilowatt hours.
Jointly contracted the “Houzhuangzi Pi Water Discharge Gate Improvement Project”, and was awarded the Excellent Agricultural Construction Project Award by the Agriculture Committee, Executive Yuan.
- 2018 Developed the world’s lightest and environment-friendly recyclable thermoplastic suitcase.
President Tsai, Ing-Wen visited and encouraged the Company to develop towards green energy technology and circular economy.
- 2019 The construction of Factory V was completed.
Won number 26 among the top 50 of the Common Wealth Magazine's 2000 Most Profitable Manufacturing Companies in 2019.
- 2020 The original Factory IV was demolished and a new six-story factory building was built in 2021.
Won number 23 among the top 50 of the Common Wealth Magazine's 2000 Most Profitable Manufacturing Companies in 2020.
- 2021 Established the Audit Committee to replace supervisors.
Won number 5 among the top 50 of the Common Wealth Magazine's 2000 Most Profitable Manufacturing Companies in 2021.
- 2022 Won number 101 among of the CommonWealth Magazine's 2000 Most Profitable Manufacturing Companies in 2022
- 2023 The construction of the new fourth factory was completed
Won the 29th Central Region Outstanding Manager Award

Three. Corporate Governance Report

I. Organizational System:

(I) Organizational chart:



(II) Business of key departments:

Department	Key responsibilities
General Manager Office	<ol style="list-style-type: none"> 1. Assisting in business strategy and policy planning and the coordination of affairs and manpower. 2. Managing and supervising the planning and implementation of employee training and talent cultivation. 3. Integration, planning and implementation of computer information.
Audit Office	Establishment, modification, promotion and audit of the internal control system.
R&D Center	<ol style="list-style-type: none"> 1. Responsible for the development, design, modification, drawing, approval, and distribution control of new and old products. 2. Research and development of production technology and guidance of the production line in solving technical problems. 3. Assessment and purchase requisition of additional machinery and equipment.
Quality Assurance Department	<ol style="list-style-type: none"> 1. Responsible for the implementation of the quality policy and maintenance of the quality assurance system to promote the improvement of quality. 2. Various quality plans and statistical analysis. 3. Maintenance and regular calibration of measuring instruments. 4. Review, tracking and experimental reports of the causes of quality abnormalities.
Marketing Department	<ol style="list-style-type: none"> 1. Expansion of various product businesses. 2. Responsible for product sales, returns, services, and customer complaints.
Finance Department	<ol style="list-style-type: none"> 1. Responsible for affairs related to accounting, taxation, cost settlement, and profit and loss calculation. 2. Budget management and control. 3. Responsible for the use and management of funds, bank transactions, and other matters. 4. Handling of stock affairs.
Human Resources Department	<ol style="list-style-type: none"> 1. Responsible for the formulation and implementation of personnel management operations and personnel rules and regulations. 2. Procurement and management of various business goods and fixed assets. 3. Implementation of labor issues and coordination of labor disputes. 4. Planning and implementation of safety measures such as waterproofing, riot, theft, and fire prevention. 5. Receiving and sending of documents and letters. 6. Reception service for visitors.
Newsheet Department	<ol style="list-style-type: none"> 1. Responsible for the development and trial production of silicone products. 2. Expansion of the silicone product business. 3. Product manufacture and business promotion of polymer composite products.

Manufacturing Department	<ol style="list-style-type: none"> 1. Responsible for production schedule management and product manufacture. 2. Preliminary review of the delivery date of orders received by the business department and confirmation of the rationality of the delivery date according to the capacity load. 3. Formulating production plans according to the capacity load and material status, supervising material progress and on-site production progress, and ensuring that production plans can be carried out as scheduled. 4. Actively adjusting the production schedule and contact relevant units in case of abnormal production and urgent orders. 5. Preparing relevant statistics and analysis on production data and productivity efficiency. 6. Putting forward purchase requisitions of raw materials according to the production plans. 7. Understanding the non-conforming rate, tracking and solving abnormal production problems. 8. Process planning, improvement and integration to improve process efficiency and production performance.
Production Department	<ol style="list-style-type: none"> 1. Product handling, storage, packaging and delivery. 2. Control of the import and export of raw materials, spare parts, semi-finished products and finished products. 3. Purchase of raw materials. 4. Production management scheduling.
Public Works Department	Equipment maintenance and emergency repair.

II. Information about directors, supervisors, president, vice presidents, assistant vice presidents, and heads of departments and branches:

(I) Director :

Title	Nationality or place of registration	Name	Gender	Age	Date of election (appointment)	Term of office	Initial election date	Number of shares held at the time of election		Number of shares held currently		Number of shares held by spouse and minor children currently		Number of shares held in the names of others		Major experience (education)	Positions concurrently held at the Company and other companies	Other directors, directors or supervisors with a spousal relationship or kinship relationship within the second degree			Remark	
								Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Chairperson	Republic of China	Lin, Chi-Chin	Male	71-80 years old	July 7, 2021	3 years	September 23, 2003	4,911,823	6.93%	2,456,000	3.15%	2,579,239	3.31%	-	-	Master of Management, Dominican University, USA	None	President	Lin, Chi-Uo	Brother	-	
																		Special Assistant, Chairperson's Office	Stella Hu	Sister-in-law	-	
Director	Republic of China	Ji Uo Investment Co., Ltd. Representative: Lin, Chi-Uo	Male	61-70 years old	July 7, 2021	3 years	September 23, 2003	5,203,045	7.34%	5,723,349	7.34%	-	-	-	-	Graduated from the Institute of Business Management, Daye University	President, Hsin Yung Chien Co., Ltd.	Chairperson	Lin, Chi-Chin	Brother	-	
																		Special Assistant, Chairperson's Office	Stella Hu	Wife	-	
Director	Republic of China	Huang, Kuo-Chen	Male	71-80 years old	July 7, 2021	3 years	September 28, 2006	115,500	0.16%	128,000	0.16%	90,200	0.12%	-	-	Graduated from the International Trade Department, Chienkuo Technology University Accounting Supervisor, Yuntai Automobile Transportation Company Chair of the Supervisors, Yuanlin Credit Cooperative	None	-	-	-	-	-
Director	Republic of China	Chiu, Po-Ta	Male	81-90 years old	July 7, 2021	3 years	May 26, 2010	130,000	0.18%	160,000	0.21%	-	-	-	-	Graduated from the Business Management Department, Feng Chia University Chairperson, Lih Hsin Industrial & Trading Co., Ltd.	Chairperson, Lih Hsin Industrial & Trading Co., Ltd.	-	-	-	-	
Director	Republic of China	Chen, Chao-Kao	Male	61-70 years old	July 7, 2021	3 years	May 26, 2010	625,800	0.88%	688,380	0.88%	-	-	-	-	Graduated from Chia Yang High School Chairperson, Kong Chou Construction Co., Ltd.	None	-	-	-	-	
Director	Republic of China	Chen, Chin-I	Male	81-90 years old	July 7, 2021	3 years	September 28, 2006	-	-	-	-	2,200	0.00%	-	-	Graduated from the Department of Economics, Tung Hai University Chief Auditor, Changhua Bank Head office	None	-	-	-	-	
Independent Director	Republic of China	Chen, Chun-Jen	Male	71-80 years old	July 7, 2021	3 years	September 28, 2006	-	-	-	-	-	-	-	-	Graduated from the Bank Insurance Department, Overseas Chinese College President, Tianduofu Enterprise Co., Ltd.	Chairperson, Wangdehao International Development Co., Ltd	-	-	-	-	
Independent Director	Republic of China	Lin, Chen-Chih	Male	71-80 years old	July 7, 2021	3 years	June 27, 2012	-	-	-	-	-	-	-	-	Master of Philosophy, Tung Hai University Graduated from the International Trade Department, Chienkuo Commercial College President, Oudi Enterprise Development Co., Ltd.	President, Oudi Enterprise Development Co., Ltd.	-	-	-	-	
Independent Director	Republic of China	Lin, Chin-An	Male	71-80 years old	July 7, 2021	3 years	July 7, 2021	-	-	-	-	-	-	-	-	Provincial Fengyuan Senior Business Vocational School Manager, Changhua Bank Nantou and Changhua Branch	None	-	-	-	-	

Note: The number of shares as of the book-close date on March 17, 2024 is 77,991,707.

- (II) Major shareholders of legal person shareholders; if the major shareholders are legal person shareholders, their major shareholders:

Table 1: Major shareholders of legal person shareholders

Name of legal person shareholder	Major shareholders of legal person shareholders
Ji Uo Investment Co., Ltd.	Bo Le Investment Co., Ltd(100%)

Table 2: If the major shareholders are legal person shareholders, their major shareholders:

Name of legal person shareholder	Major shareholders of legal person shareholders
Bo Le Investment Co., Ltd(100%)	Lin, Chi-Uo(25%); Stella Hu(27%) Lin, Le-Tian(24%); Lin, Ting-Yu(24%)

- (III) Disclosure of professional qualifications of directors and independence of independent directors:

Condition Name	Professional qualifications and experience	Independence status	Number of independent director positions concurrently served in other public companies
Lin, Chi-Chin	<ol style="list-style-type: none"> Chairperson of the Company Mr. Lin, Chi-Chin has various professional abilities in operations management, leadership and decision-making, crisis management, industrial knowledge, sustainable management, and international market outlook, enabling the Company to develop steadily and expand internationally and allowing the Company to operate towards sustainable development. There are none of the circumstances of Article 30 of the Company Act. 	Has a kinship relationship within the second degree with Lin, Chi-Uo, the representative of the legal person director Ji Uo Co., Ltd.	None
Ji Uo Investment Co., Ltd. Representative: Lin, Chi-Uo	<ol style="list-style-type: none"> President of the Company Mr. Lin, Chi-Uo has various professional abilities in operations management, leadership and decision-making, crisis management, industrial knowledge, sustainable management, and international market outlook, enabling the Company to develop steadily and expand internationally and allowing the Company to operate towards sustainable development. There are none of the circumstances of Article 30 of the Company Act. 	Has a kinship relationship within the second degree with Lin, Chi-Chin, the Chairman.	None

Condition Name	Professional qualifications and experience	Independence status	Number of independent director positions concurrently served in other public companies
Huang, Kuo-Chen	<ol style="list-style-type: none"> 1. Director of the Company 2. Director Huang, Kuo-Chen once served as the chair of the supervisors of Yuanlin Credit Cooperative, and he has served as a director of the Company for many years. He has professional abilities in financial management, accounting affairs, etc., and he continues to make major decisions on the Board of Directors of the Company with the other directors, enabling the Company to move towards better development and achieve the goal of sustainable management. 3. There are none of the circumstances of Article 30 of the Company Act. 	There is no spousal relationship or kinship relationship within the second degree among the directors.	None
Chen, Chin-I	<ol style="list-style-type: none"> 1. Director of the Company 2. Mr. Chen, Chin-I once served as the head of the audit department of the head office of Changhua Bank, and he has served as a supervisor of the Company for many years. He has professional abilities in finance, accounting and audit affairs, and he continues to make major decisions on the Board of Directors of the Company with the other directors, enabling the Company to move towards better development and achieve the goal of sustainable management. 3. There are none of the circumstances of Article 30 of the Company Act. 	There is no spousal relationship or kinship relationship within the second degree among the directors.	None

Condition Name	Professional qualifications and experience	Independence status	Number of independent director positions concurrently served in other public companies
Chen, Chao-Kao	<ol style="list-style-type: none"> 1. Director of the Company 2. Mr. Chen, Chao-Kao is the chairperson of the Board of Directors of Kong Chou Construction Co., Ltd., and he has served as a supervisor of the Company for many years. He has various professional abilities in operations management, leadership and decision-making, crisis management, industrial knowledge, sustainable operations and international market outlook, and he continues to make major decisions on the Board of Directors of the Company with the other directors, enabling the Company to move towards better development and achieve the goal of sustainable management. 3. There are none of the circumstances of Article 30 of the Company Act. 	There is no spousal relationship or kinship relationship within the second degree among the directors.	None
Chiu, Po-Ta	<ol style="list-style-type: none"> 1. Director of the Company 2. Mr. Chiu, Po-Ta is the chairperson of Lih Hsin Industrial & Trading Co., Ltd. He once served as the managing supervisor of the Import and Export Association, the executive director of the Sino-Indonesia Cultural and Economic Association, the supervisor of the Taichung World Trade Center, and a consultant of Jinding Securities, and he has served as a supervisor of the Company for many years. He has various professional abilities in operations management, leadership and decision-making, crisis handling, industrial knowledge, finance, sustainable management, and international market outlook, and he continues to make major decisions on the Board of Directors of the Company with the other directors, enabling the Company to move towards better development and achieve the goal of sustainable management. 3. There are none of the circumstances of Article 30 of the Company Act. 	There is no spousal relationship or kinship relationship within the second degree among the directors.	None

Condition Name	Professional qualifications and experience	Independence status	Number of independent director positions concurrently served in other public companies
Chen, Chun-Jen	<p>1. Independent director, member of the Audit Committee, convener of the Remuneration Committee of the Company.</p> <p>2. Mr. Chen, Chun-Jen is the president of Tianduofu Company. He has various professional abilities in operations management, leadership and decision-making, crisis management, industrial knowledge, sustainable management, and international market outlook. During his tenure as an independent director of the Company, he has provided appropriate suggestions and guidance for the Company's operations, and finance and operations analysis. The Company relies on Mr. Chen, Chun-Jen's expertise to continuously supervise its operation.</p> <p>3. There are none of the circumstances of Article 30 of the Company Act.</p>	<p>The following three independent directors:</p> <p>1. All meet the independence qualification of independent directors.</p> <p>2. Fully comply with independence requirements:</p> <p>(1) The person, their spouse, or any relative within the second degree of kinship have not served as a director, supervisor, or employee of the Company or any other affiliated enterprise.</p>	None
Lin, Chen-Chih	<p>1. Independent director, member of the Audit Committee, member of the Remuneration Committee of the Company.</p> <p>2. Mr. Lin, Chen-Chih is the president of Odi Company. He has various professional abilities in operations management, leadership and decision-making, crisis management, industrial knowledge, sustainable management, and international market outlook. During his tenure as an independent director of the Company, he has provided appropriate suggestions and guidance for the Company's operations and operations analysis. The Company relies on Mr. Lin, Chen-Chih's expertise to continuously supervise its operation.</p> <p>3. There are none of the circumstances of Article 30 of the Company Act.</p>	<p>(2) The person, their spouse, or any relative within the second degree of kinship have not held the Company's shares.</p> <p>(3) Has not served as a director, supervisor or employee of a company with a specific relationship with the Company (by reference to Article 6, paragraph 1, subparagraphs 5 to 8</p>	None

Condition Name	Professional qualifications and experience	Independence status	Number of independent director positions concurrently served in other public companies
Lin, Chin-An	<p>1. Independent director, convener of the Audit Committee, member of the Remuneration Committee of the Company.</p> <p>2. Mr. Lin, Chin-An once served the manager of the Nantou Branch and Changhua Branch of Changhua Bank. He has professional abilities in accounting, finance, industry knowledge, sustainable management, and international market outlook. During his tenure as an independent director of the Company, he has provided appropriate advice and guidance on the Company's operations, and finance and operations analysis. The Company relies on Mr. Lin, Chin-An's expertise to continuously supervise its operation.</p> <p>3. There are none of the circumstances of Article 30 of the Company Act.</p>	<p>of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange).</p> <p>(4) No amount of remuneration has been received from providing business, legal, financial, accounting and other services to the Company or its affiliated enterprises in the last two years.</p>	None

(IV) Diversification and independence of the Board of Directors:

(1) Diversification of the Board of Directors:

Based on the Company's diversification policy, strengthening corporate governance, and promoting the development of a sound composition and structure of the Board of Directors, the candidate nomination system is adopted for the nomination of candidates for directors of the Company. Candidates are nominated in accordance with the provisions of the Articles of Association to evaluate the qualifications of candidates, measure their professional background, credibility, or relevant professional qualifications, etc. After the nomination are approved by the Board of Directors, they are sent to the shareholders' meeting for election.

The diversification core items of directors are as follows:

Board members generally have the knowledge, skills, and accomplishments necessary for performing their duties. To achieve the ideal goal of corporate governance, the overall capabilities of the Board of Directors are as follows:

1. Operational judgment ability.
2. Accounting and financial analysis ability.
3. Operations management ability.
4. Crisis management ability.
5. Industrial knowledge.
6. International market outlook.
7. Leadership.
8. Decision-making ability.

(2) At present, there are 9 directors. The implementation of diversification by all directors is as follows:

* The directors of this term are all Taiwanese and male. At least one female director will be added in the next term, with the goal of increasing the ratio of female directors to 11%.

* The proportion of directors who are also employees is 22%, the proportion of independent directors is 33%, and the proportion of directors who are not employees is 45%.

* There are 2 directors aged 61-70, 5 directors aged 71-80, and 2 directors aged 81-90.

* Term of office of directors: 5 directors above 9 years, and 4 directors below 3 years.

Implementation of diversification by directors :

A. basic component

Title	Name of director	Nationality	Gender	Positions concurrently held at the Company	Age	Term and seniority of independent directors
Director	Lin, Chi-Chin	Republic of China	Male	V	71-80	Over 9 years
Director	Lin, Chi-Uo	Republic of China	Male	V	61-70	Over 9 years
Director	Huang, Kuo-Chen	Republic of China	Male		71-80	Over 9 years
Director	Chen, Chin-I	Republic of China	Male		81-90	Under 3 years
Director	Chen, Chao-Kao	Republic of China	Male		61-70	Under 3 years
Director	Chiu, Po-Ta	Republic of China	Male		81-90	Under 3 years
Independent Director	Chen, Chun-Jen	Republic of China	Male		71-80	Over 9 years
Independent Director	Lin, Chen-Chih	Republic of China	Male		71-80	Over 9 years
Independent Director	Lin, Chin-An	Republic of China	Male		71-80	Under 3 years

B. Professional background

Title	Name of director	Operations management	Leadership and decision-making	Industrial knowledge	Finance and accounting	Crisis management
Director	Lin, Chi-Chin	V	V	V	V	V
Director	Lin, Chi-Uo	V	V	V		V
Director	Huang, Kuo-Chen	V			V	V
Director	Chen, Chin-I	V			V	V
Director	Chen, Chao-Kao	V	V	V		V
Director	Chiu, Po-Ta	V	V			V
Independent Director	Chen, Chun-Jen	V	V	V	V	V
Independent Director	Lin, Chen-Chih	V	V			V
Independent Director	Lin, Chin-An	V			V	V

(3) Independence of the Board of Directors:

The Company currently have 9 members on the Board of Directors. As of the end of 2023, all the independent directors had complied with the regulations for independent directors of the Securities and Futures Bureau of the FSC, and there were no circumstances under paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act between directors and independent directors.

The Board of Directors of the Company is independent. Please refer to the disclosure of directors' professional information and independent directors' independence information on pages 16-20 of this annual report. Please refer to the directors' information on page 15 of this annual report for information on the academic experience, gender, and work experience of each director.

(V) President, vice presidents, assistant vice presidents, and heads of departments and branches:

April 24, 2022; unit: share: %

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholding		Shares held by spouse and minor children		Number of shares held in the names of others		Major experience and educational background	Positions concurrently held at other companies	Managers with a spousal relationship or kinship relationship within the second degree			Remark
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Lin, Chi-Uo	Male	May 2002	157,281	0.20%	0	0.00%	-	-	Graduated from the Institute of Business Management, Daye University	-	-	-	-	-
Executive Vice President	Republic of China	Li, Chiung-Tung	Male	August 2019	2,403	0.00%	10,656	0.01%	-	-	Factory Affairs Director, Sanjiu Building Materials Co., Ltd. Graduated from the Enterprise Management Institute of Chaoyang University of Technology	-	-	-	-	-
Manager, Production Department	Republic of China	Chou, Yi-Shang	Male	June 2004	434,006	0.56%	42,722	0.03%	-	-	Universal Scientific Industrial Co., Ltd. Graduated from the Enterprise Management Institute of Chaoyang University of Technology	-	-	-	-	-
Manager, R&D Center	Republic of China	Chang, Wei-Hsiu	Male	March 2012	0	0.00%	9,350	0.01%	-	-	Kung Long Batteries Industrial Co., Ltd. Hardinge Taiwan Precision Machinery Limited Industrial Engineering Research Institute of Chaoyang University of Technology	-	-	-	-	-
Accounting Supervisor and Corporate	Republic of China	Lin, Chiu-Hung	Female	August 2011	4,465	0.01%	-	-	-	-	Graduated from the Accounting Department, Providence University	-	-	-	-	-

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholding		Shares held by spouse and minor children		Number of shares held in the names of others		Major experience and educational background	Positions concurrently held at other companies	Managers with a spousal relationship or kinship relationship within the second degree			Remark
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Governance Supervisor											Deputy Manager, PricewaterhouseCoopers Taiwan Audit Director, Hsin Yung Chien Co., Ltd.					
HR Manager	Republic of China	Lin, Feng-l	Female	March 2012	3,811	0.00%	-	-	-	-	Sen Yong Industrial Information Secretary Information Specialist, Mobiletron Electronics Co., Ltd. Cost Accountant, Yangtie Factory Graduated from the Enterprise Management Institute of Chaoyang University of Technology	-	-	-	-	-

III. Remuneration of directors, supervisors, president and vice presidents:

1. Remuneration of directors (including independent directors):

職稱	姓名	Remuneration of directors								Total amount of items A, B, C, and D as a proportion of the net profit after tax				Relevant remuneration received for concurrently serving as employee						Total amount of items A, B, C, D, E, F, and Gas a proportion of the net profit after tax				Remuneration from reinvested enterprises other than subsidiaries or the parent company		
		Remuneration (A)		Retirement pension (B)		Directors' remuneration (C) (Note 1)		Business execution expenses (D)		The Company		All companies in the financial report		Retirement pension (B)		Directors' remuneration (C) (Note 1)		Business execution expenses (D)				The Company			All companies in the financial report	
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report					The Company	All companies in the financial report	Cash	Stock	Cash	Stock	Cash	Stock					
Director	Lin, Chi-Chin	-	-	-	-	4,522	4,522	30	30	4,552	0.97%	4,552	0.97%	1,714	1,714	-	-	380	-	380	-	6,646	1.42%	6,642	1.42%	None
Director	Ji Uo Investment Co., Ltd. - Representative: Lin, Chi-Uo	-	-	-	-	3,344	3,344	30	30	3,374	0.72%	3,374	0.72%	744	744	-	-	403	-	403	-	4,521	0.96%	4,521	0.96%	None
Director	Huang, Kuo-Chen	-	-	-	-	170	170	100	100	270	0.06%	270	0.06%	-	-	-	-	-	-	-	-	270	0.06%	270	0.06%	None
Director	Chen, Chao-Kao	-	-	-	-	170	170	100	100	270	0.06%	270	0.06%	-	-	-	-	-	-	-	-	270	0.06%	270	0.06%	None
Director	Chen, Chin-I	-	-	-	-	170	170	100	100	270	0.06%	270	0.06%	-	-	-	-	-	-	-	-	270	0.06%	270	0.06%	None
Director	Chiu, Po-Ta	-	-	-	-	170	170	100	100	270	0.06%	270	0.06%	-	-	-	-	-	-	-	-	270	0.06%	270	0.06%	None
Independent Director	Chen, Chun-Jen	-	-	-	-	170	170	170	170	340	0.07%	340	0.07%	-	-	-	-	-	-	-	-	340	0.07%	340	0.07%	None
Independent Director	Lin, Chen-Chih	-	-	-	-	170	170	170	170	340	0.07%	340	0.07%	-	-	-	-	-	-	-	-	340	0.07%	340	0.07%	None
Independent Director	Lin, Chin-An	-	-	-	-	170	170	170	170	340	0.07%	340	0.07%	-	-	-	-	-	-	-	-	340	0.07%	340	0.07%	None

1. Please explain the remuneration policy, system, standard and structure of independent directors, and explain the relevance to the amount of remuneration paid according to such factors as responsibilities, risks, investment time and so on:

The Company's Articles of Incorporation clearly stipulate that no more than 3% of the annual profit shall be used as director's remuneration and 1.5% of the pre-tax net profit for the year shall be set aside as director's remuneration in accordance with the resolution of the Board of Directors. Since all independent directors serve as members of the Audit Committee and the Remuneration Committee, they are responsible for participating in discussions and resolutions at committee meetings. Therefore, their business execution remuneration is higher than that of ordinary directors.

2. Except as disclosed in the table above, the remuneration received by directors of the company for their services (such as serving as non-employee consultants of the parent company/all companies in the financial report/reinvested enterprises) in the most recent year: None.

Note 1: The disclosed earnings distribution content is the 2023 earnings distribution approved by the Board of Directors resolution on February 22, 2024. The earnings distribution has yet to be reported at the 2024 shareholders' meeting, so it has not yet been actually distributed. The director's remuneration and employee remuneration disclosed in the above table are provisional estimates.

2. Remuneration of president and vice presidents:

Unit: NT\$1,000

Job title	Name	Salary (A)		Retirement pension (B)		Bonuses, special expenditures, etc. (C)		Employee remuneration amount (D) (Note 1)				Ratio of the total amount of A, B, C and D vs. net profit after tax (%)				Remuneration received from investee companies outside of subsidiaries, or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares					
President	Lin, Chi-Uo	744	744	31	31	-	-	403	-	403	-	1,178	0.25%	1,178	0.25%	None
Executive Vice President	Li, Chiung-Tung	826	826	-	-	-	-	3,027	-	3,027	-	3,853	0.82%	3,853	0.82%	

3. Remunerations of Top 5 supervisors:

Unit: NT\$1,000

Job title	Name	Salary (A)		Retirement pension (B)		Bonuses, special expenditures, etc. (C)		Employee remuneration amount (D) (Note 1)				Ratio of the total amount of A, B, C and D vs. net profit after tax (%)				Remuneration received from investee companies outside of subsidiaries, or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares					
Executive Vice President	Li, Chiung-Tung	826	826	-	-	-	-	3,027	-	3,027	-	3,853	0.82%	3,853	0.82%	None
Chairman	Lin, Chi-Chin	1,714	1,714	-	-	-	-	380	-	380	-	2,094	0.45%	2,094	0.45%	
Manager	Chou, Yi-Shang	736	736	-	-	-	-	452	-	452	-	1,188	0.25%	1,188	0.25%	
Manager	Lin, Chiu-Hung	700	700	-	-	-	-	486	-	486	-	1,186	0.25%	1,186	0.25%	
President	Lin, Chi-Uo	744	744	31	31	-	-	403	-	403	-	1,178	0.25%	1,178	0.25%	

4. Names of managers who are distributed employees' remuneration and the distribution status:

unit: NT\$ thousand

	Title	Name	Stock amount	Cash amount (Note)	Total	Proportion of total amount in net profit after tax (%)
Manager	Chairperson	Lin, Chi-Chin	-	5,380	5,380	1.15%
	President	Lin, Chi-Uo				
	Executive Vice President	Li, Chiung-Tung				
	Manager	Chou, Yi-Shang				
	Manager	Chang, Wei-Hsiu				
	Manager	Lin, Chiu-Hung				
	Manager	Lin, Feng-I				

5. Compare and explain the proportion of the total remuneration paid by the Company and all companies in the consolidated statements to its directors, supervisors, president, and vice presidents in the last two years to the after-tax net income of the individual financial report, and explain the policies, standards, and procedures for remuneration payment, as well as the relevance to business performance and future risks:

(1) Analysis of the proportion of the total remuneration to the after-tax net income of the individual financial report in the last two years

Title	2022		2023	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Directors	3.08%	3.08%	2.83%	2.83%
President and vice presidents	1.18%	1.18%	1.07%	1.07%
Total	4.26%	4.26%	3.9%	3.9%

(2) The policy, standard and combination of remuneration, procedure for setting remuneration, and the relationship with business performance and future risk are described as follows:

A. The remuneration of directors and managers of the Company is distributed according to the Articles of Association, which are as follows:

Article 21: The remuneration of the directors of the Company shall be determined by the Board of Directors in accordance with the general standards of the industry.

Article 22: HYC may establish managers, whose appointment, removal and remuneration shall be in accordance with the Company Act; the retirement of the appointed managers shall be handled in accordance with the retirement rules for the appointed managers of the Company.

Article 24: After making up the losses, if there is any balance in the current year's profit before tax, HYC shall allocate no less than 2% as employees' remuneration, and no more than 3% as the directors' remuneration. Employees' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions. The distribution of employees' remuneration and directors' remuneration shall be made by a resolution adopted by the Board of Directors at which more than two-thirds of the directors are present and the proposal approved by a majority of the directors present, and it shall be reported to the shareholders' meeting.

B. Link between performance evaluation and remuneration of directors and managers:

The Company's director remuneration is in accordance with the provisions of the Articles of Incorporation, and the Board of Directors has resolved to allocate 1.5% of the current year's net profit before tax as director remuneration. In addition to referring to industry standards, director remuneration evaluation criteria incorporate financial indicators (net profit after tax achievement rate, operating efficiency and contributions), non-financial indicators, (meeting attendance rate, training hours, sustainable development) and so on and they are reported to the Remuneration Committee.

Manager remuneration includes salary and bonus. Salary refers to industry standards, job responsibilities, professional abilities, and other items. Employee bonuses take into account various evaluation criteria of managers, including financial indicators (revenue achievement rate, operating profit achievement rate, and net profit after tax achievement rate), non-financial indicators (legal compliance, major deficiencies in operating risk matters and special contributions) and talent cultivation. These criteria are determined by the chairman of the board based on operating performance and reported to the Remuneration Committee.

IV. Corporate Governance Operation Status

(I) Operation status of the board of directors

The board of directors held 5 (A) meetings in the past year (2023), and the attendance status is as follows:

Title	Name	Number of actual (non-voting) attendances B	Number of attendances by proxy	Actual (non-voting) attendance rate (%) [B/A]	Remark
Chairperson	Lin, Chi-Chin	5	-	100%	
Director	Ji Uo Investment Co., Ltd. Representative: Lin, Chi-Uo	5	-	100%	
Director	Huang, Kuo-Chen	5	-	100%	
Director	Chen, Chin-I	5	-	100%	
Director	Chen, Chao-Kao	5	-	100%	
Director	Chiu, Po-Ta	5	-	100%	
Independent Director	Chen, Chun-Jen	5	-	100%	
Independent Director	Lin, Chen-Chih	5	-	100%	
Independent Director	Lin, Chin-An	5	-	100%	

Other matters to be recorded:

I. In case of any of the following circumstances in the operation of the Board of Directors, state the date of the board meeting, session, content of the proposal, opinions of all independent directors, and the company's handling of the opinions of independent directors:

(I) Items listed in Article 14-3 of the Securities and Exchange Act:

Please refer to pages 82 to 84 of the annual report for the contents of the resolutions. None of the independent directors had objections to the matters listed in Article 14-3 of the Securities and Exchange Act, and the proposal was passed accordingly.

(II) Except for the matters referred to in the preceding paragraph, other matters decided by the Board of Directors with objections or reservations by independent directors that have been recorded or stated in writing: No such situation.

II. For the implementation of the directors' recusal for proposals involving personal interests, state the name of the director, the content of the proposal, the reason for recusal, and the status of their participation in voting:

Board meeting date	Content of the proposal	Name of director with recusal for personal interest	Reason for recusal	Status of their participation in voting
2023.08.03	Discussion of the individual distribution of directors' remuneration for the year 2022, which was approved by the Remuneration Committee on August 3, 2023.	Attending directors	Directors present shall avoid their respective interest issue in accordance with the law when discussing their own remuneration.	Passed accordingly after consultation by the presiding chair with the remaining directors present

III. TWSE/TPEX listed companies shall disclose information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the Board of Directors' self (or peer) evaluation: The Company has submitted the implementation status of the 2023 performance evaluation of the Board of Directors to the Board of Directors on February 22, 2024, and the evaluation results are excellent.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Not once every year	January 1, 2023, to December 31, 2023	Board of Directors Individual board member	Internal self-evaluation of the Board of Directors and self-evaluation of board members	1. Performance evaluation items of the Board of Directors: (1) Participation in the operation of the Company, (2) Improvement of the decision-making quality of the Board of

				<p>Directors, (3)Composition and structure of the Board of Directors, selection and (4)Continuing education of the Board of Directors, (5) Internal control.</p> <p>2. Performance evaluation items for individual directors: (1)Mastery of the Company's objectives and tasks, (2)Recognition of directors' responsibilities, (3)Participation in the Company's operations, (4) internal relationship management and communication, (5)directors' professional and continuous learning, (6) internal control.</p> <p>3. Performance evaluation items for functional committees (1)Participation in the company's operations. (2)Cognition of the functional committee's responsibilities (3)Decision-making quality of the functional committee (4)Functional committees (5)Internal control</p>
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IV. Assessment of the objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (such as establishing an Audit Committee, improving information transparency, etc.) and the implementation:

- (1) The Company has established the Audit Committee in 2021.

- (2) In 2023, the Board of Directors of the Company held five board meetings, which was in line with the requirement of the Rules of Procedure of Board of Directors' Meetings that the board meeting should be held at least once a quarter. Important proposals were announced on the Market Observation Post System in accordance with the law, and at the same time announced on the Company's website, so that the information was truly open and transparent.
- (3) In 2020, the Board of Directors of the Company adopted the "Measures for the Performance Evaluation of the Board of Directors" to carry out the internal performance evaluation of the Board of Directors at least once a year.
- (4) Strengthen professional knowledge: The Company actively provides information on various continuing education courses and encourages the Board of Directors to participate in various corporate governance courses or arrange lecturers to give lectures to the Company from time to time to strengthen the abilities of the board members. In 2023, the 9 directors had 54 hours of continuing education in total.
- (II) The operation of the Audit Committee:
In 2023 the Audit Committee held Five (A) meetings , independent directors is as follows:

Title	Name	Number of actual non-voting attendances B	Actual (non-voting) attendance rate (%) [B/A]	Remark
Independent Director	Lin, Chin-An	5	100%	convener
Independent Director	Chen, Chun-Jen	5	100%	
Independent Director	Lin, Chen-Chih	5	100%	

Other matters to be recorded:

- 、 In case of any following circumstances in the operation of the audit Committee meetings, state the date of the Audit Committee meeting, session, content of the proposal, content of the independent directors' objections, qualified opinions or major recommendations, resolution of the Audit Committee meeting, and the company's handling of the opinions of the Audit Committee members.

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

Meeting date	Proposal content	Resolution	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors	The Company's disposal of the Audit Committee's opinion
2023.01.21 8rd meeting of the 1st term	1. Internal audit report by the internal audit supervisor.	After the chairman's consultation with all	V	-	After the chairman's consultation with all

2023.03.22 9rd meeting of the 1st term	2. In accordance with the provisions of the Company's Articles of Incorporation, the remuneration of directors and supervisors for 2022 and the expected allocation ratio for 2023 are proposed.	attending members, the proposal was passed accordingly and sent to the board meeting for resolution.	V	-	attending members, the proposal was passed accordingly.
	3. Amendment of the Rules of Procedure for Board Meetings.		V	-	
	1. Internal audit report by the internal audit supervisor	After the chairman's consultation with all attending members, the proposal was passed accordingly and sent to the board meeting for resolution.	V	-	After the chairman's consultation with all attending members, the proposal was passed accordingly.
	2. Internal Control System Effectiveness Assessment and Internal Control System Declaration for 2022.		V	-	
	3. Amendment of the Procedures for Transactions with Related Parties, Specific Companies and Group Enterprises, the Rules of Procedure for Board Meetings, the Rules for the Scope of Responsibilities of Independent Directors, the Regulations on Mutual Financial Operations of Related Parties, the Code of Conduct and Voting Policies for Controlling Corporate Shareholders' Performance of Responsibilities, and the Organizational Rules for Remuneration Committee.	After the chairman's consultation with all attending members, the proposal was passed accordingly and sent to the board meeting for resolution.	V	-	After the chairman's consultation with all attending members, the proposal was passed accordingly.
	4. Appointment and remuneration of CPAs.		V	-	
	5. Assessment of independence and competency of CPAs for 2023.		V	-	

	6. Distribution of employees' remuneration and directors' remuneration for 2022.		V	-	
	7. 2022 business report and financial statements.		V	-	
	8. 2022 earnings distributions.		V	-	
2023.05.10 10rd meeting of the 1st term	1. Internal audit report by the internal audit supervisor	After the chairman's consultation with all attending members, the proposal was passed accordingly and sent to the board meeting for resolution.	V	-	After the chairman's consultation with all attending members, the proposal was passed accordingly.
	2. Financial statements for 2023 Q1.		V	-	
2023.08.3 11rd meeting of the 1st term	1. Internal audit report by the internal audit supervisor	After the chairman's consultation with all attending members, the proposal was passed accordingly and sent to the board meeting for resolution.	V	-	After the chairman's consultation with all attending members, the proposal was passed accordingly.
	2. Financial statements for 2023 Q2		V	-	
	3. Respective directors' and supervisors' remuneration for 2022.		V	-	
2023.11.2 12rd meeting of the 1st term	1. Internal audit report by the internal audit supervisor	After the chairman's consultation with all attending members, the proposal was passed accordingly	V	-	After the chairman's consultation with all attending members, the proposal was passed accordingly.
	2. Formulation of the annual audit plan according to Article 13 of the Regulations Governing Establishment of Internal Control		V	-	

	Systems by Public Companies.	and sent to the board meeting for resolution.			
	3. Amendment of the Computerized Data System Processing Cycle.		V	-	
	4. Amendment of the Sales and Collection Cycle.		V	-	
	5. Financial statements for 2023 Q3.		V	-	

- (II) Except for the matters mentioned above, other matters not approved by the Audit Committee meeting but approved by more than two-thirds of all directors:
No such situation.
- II. For the implementation of the independent directors' recusal for proposals involving personal interests, state the name of the director, the content of the proposal, the reason for recusal, and the status of their participation in voting: No such situation.
- III. The communication between the independent directors and the internal audit supervisor and the CPAs (which shall include the major matters, methods and results of communication regarding the company's financial and business conditions).
- (I) The internal audit supervisor submits the audit report of the previous month to the independent directors by the end of each month. The independent directors can directly communicate with the audit supervisor.
- (II) The auditors track the improvement of internal control deficiencies and anomalies, and prepare a tracking report to submit to the independent directors.
- (III) The audit supervisor also attends the Audit Committee meeting as a non-voting delegate to provide relevant information to the independent directors.
- (IV) In addition to reporting to the independent directors on the audit or review of the financial reports, the CPAs of the Company hold at least one legal promotion meeting at the Company every year to update the new knowledge of fiscal and tax laws and regulations and the countermeasures for the related impacts. The independent directors and the CPAs may contact each other at any time by email, telephone or meeting as required. The independent directors and the CPAs of the Company maintain good communication.
- (V) The communication between the independent directors and the internal audit supervisor and the CPAs in 2023 was as follows:
Communication took place without the presence of general directors and management. Please refer to page 37-38 of this annual report for the meeting date and communication matters.

Communication of independent directors with internal audit supervisors and CPAs

Date	Communication object	Matter communicated	Nature of communication	Result
2023.01.21	The Company's audit supervisor	Internal audit business execution report	Audit Committee	No objection
	The Company's CPAs	Explanation of the basis, opinions, scope, and key audit points for financial report audit	Audit Committee	No objection
2023.03.22	The Company's audit supervisor	Internal audit business execution report Internal control system self-evaluation results	Audit Committee	No objection
		2022 Internal Control System Declaration Amendment to the "Procedures for Acquisition or Disposal of Assets". Amendment to the "Corporate Social Responsibility Best Practice Principles". Amendment to the "Corporate Governance Best Practice Principles". Amendment to the "Management Procedures for Prevention of Insider Trading".		Submitted to the board meeting for resolution after review
	The Company's CPAs	Explanation of the basis, opinions, scope, and key audit points for financial report audit	Audit Committee	No objection
2023.05.10	The Company's audit supervisor	Internal audit business execution report	Audit Committee	No objection
		Explanation of the basis, opinions, scope, and key audit points for financial report audit		Submitted to the board meeting for resolution

				after review
	The Company's CPAs	Explanation of the basis, opinions, scope, and key audit points for financial report audit	Audit Committee	No objection
2023.08.03	The Company's audit supervisor	Internal audit business execution report	Audit Committee	No objection
	The Company's CPAs	Explanation of the basis, opinions, scope, and key audit points for financial report audit	Audit Committee	No objection
2023.11.02		Internal audit business execution report		No objection.
	The Company's audit supervisor	2024 audit plan	Audit Committee	Submitted to the board meeting for resolution after review
	The Company's CPAs	Explanation of the basis, opinions, scope, and key audit points for financial report audit	Audit Committee	No objection

(III)The company’s corporate governance operation and its differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons:

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
I. Has the company formulated and disclosed its corporate governance best practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated the “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and posted them on the Company’s website for inquiry.	No material difference.
II. Company equity structure and shareholders’ equity	✓		(I) The Company has dedicated personnel responsible for matters related to stock affairs and a spokesperson and acting spokesperson system to deal with matters proposed by shareholders, and has legal advisers to consult on relevant legal issues.	No material difference.
(I) Has the company established internal operating procedures to deal with shareholders’ suggestions, doubts, disputes and litigation, and implemented them in accordance with the procedures?	✓		(II) The structure of major shareholders is understood and grasped through the regular reporting of changes in shareholdings of directors, supervisors and managers by the stock affairs agency.	
(II) Does the company have a list of the major shareholders who actually control the company and the final controllers of these major shareholders?	✓		(III) The Company had no affiliated enterprises in 2023. If there are affiliated enterprises,	
(III) Has the company established and implemented risk control and firewall	✓			

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>mechanisms between itself and affiliated enterprises?</p> <p>(IV) Has the company established internal regulations that prohibit insiders of the company from trading securities using non-public information on the market ?</p>	✓		<p>they will be controlled and audited by the head office in accordance with the “Subsidiary Supervision Operations” formulated by the Company.</p> <p>(IV) The Company has formulated the “Procedures for Internal Material Information Processing”, “Ethical Corporate Management Best Practice Principles”, and “Management Operations for Preventing Insider Trading”, which are applicable to the directors, managers, and employees of the Company. Insiders and employees are regulated to avoid conflicts of interest related to their duties and disclose the unpublished information they know to others to prevent insider trading, and regular internal training and publicity are conducted every year.</p>	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors formulated diversification policies, specific management objectives and</p>	✓		<p>1. The “Corporate Governance Best Practice Principles” and “Procedures for the Selection of Directors” formulated by the</p>	No material difference.

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
implemented them?			<p>Company set the policy that the diversification of the composition of the Board of Directors should be considered. At present, the directors are all persons with professional backgrounds related to finance and business. They all have different expertise in various fields, which is helpful for the development and operation of the Company. Among the 9 members of the 19th term of the Board of Directors of the Company, in addition to Chairperson Lin, Chi-Chin and President Lin, Chi-Uo, Director Chen, Chun-Jen excels at leadership, operational judgment, operations management, crisis management, and has industrial knowledge and international market audience; Director Huang, Kuo-Chen excels at finance and accounting; Director Lin, Chen-Chih excels at business management and marketing; Director Chen Chin-I and Director Chiu, Po-Ta specialize in financial affairs, audit affairs and</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(II) In addition to the salary and Remuneration Committee and Audit Committee established in accordance with the law, has the company voluntarily established other functional committees?		✓	<p>securities; Director Chen, Chao-Kao is familiar with the construction industry. Each director has their own professional background, professional skills and experience.</p> <p>Please refer to page 21-23 of this annual report for the Board of Directors' diversification policy, specific management objectives and implementation.</p> <p>(II) In addition to the Remuneration Committee and Audit Committee set up in accordance with the law, the remaining corporate governance operations are the responsibility of each department, and no other functional committees have been established; their establishment will be evaluated as needed in the future.</p>	
(III) Has the company established performance evaluation measures and evaluation methods for the Board of Directors, conducted annual and regular performance evaluation, submitted the results of the	✓		<p>(III) In 2020, the Company adopted measures for the performance evaluation of the Board of Directors to conduct an internal performance evaluation of the Board of Directors once a year, and it may entrust an external professional independent</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>performance evaluation to the Board of Directors, and used the results as a reference for individual directors' remuneration and nomination for reappointment?</p> <p>(IV) Does the company regularly evaluate the independence of the CPAs?</p>	✓		<p>institution or an external team of experts and scholars to perform the evaluation as needed; it is also disclosed on the Company's website, annual report, and MOPS as required.</p> <ol style="list-style-type: none"> 1. On January 17, 2020, the Board of Directors adopted the "Measures for Performance Evaluation of the Board of Directors". 2. The 2023 performance evaluation of the Board of Directors was submitted to the Board of Directors on February 22, 2024. Please refer to page 31-32 of this annual report for the evaluation results. 3. The performance appraisal results of each director are used as reference for individual salary, remuneration, and nomination for reappointment. <p>(IV) The Company's Audit Committee annually evaluates the independence and capability of the certifying CPAs. In addition to</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			<p>requiring the certifying CPAs to provide a “Detached Independence Statement” and “Audit Quality Indicators (AQIs)”, the Committee conducts the evaluation based on the standards in note 1 and the 13 AQIs. After confirmation, except the certification and financial tax case, the CPAs have no other financial interests or business relationships with the Company, and the family members of the CPAs do not violate the independence requirement. After referring to the AQI information, it is confirmed that the CPAs and the CPA firm have audit experience and training hours that are superior to the industry average. In addition, Pwc Global and Taiwan have developed a series of digital tools to assist in data analysis based audit work, thus reducing audit risks and improving efficiency. The evaluation results of the past year have been discussed and approved by the Audit Committee on February 22, 2024, and submitted to the board meeting on</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			February 22, 2024 for approval of the independence and capability evaluation of CPAs.	
IV. Has the TWSE/TPEX listed company allocated competent and an appropriate number of corporate governance personnel, and designated a corporate governance supervisor to be responsible for corporate governance related matters (including but not limited to providing the information necessary for directors and supervisors to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to board meetings and shareholders' meeting in accordance with the law, and preparing minutes of board meetings and shareholders' meetings, etc.)?	✓		Through the resolution of the Board of Directors on November 6, 2020, the Company appointed Manager Lin, Chiu-Hung of the Finance Department as the corporate governance supervisor to protect shareholders' rights and strengthen the functions of the Board of Directors. Manager Lin, Chiu-Hung has more than three years of experience in the management of finance, stock affairs and rules of procedure of public companies. The main responsibilities of the corporate governance supervisor are to handle matters related to board meetings and shareholders' meetings in accordance with the law, prepare minutes of board meetings and shareholders' meetings, assist directors and supervisors in taking up their posts and their continuing education, provide information necessary for directors and supervisors to carry out their business, assist directors and supervisors in complying with laws and	No material difference.

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			regulations, etc. Manager Lin, Chiu-Hung has completed 15 hours of continuing education in 2023 in accordance with the regulations. Please refer to page 76 of this annual report for the relevant continuing education.	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a section for stakeholders on the company's website, and properly responded to important corporate social responsibility issues of concern to stakeholders?	✓		(I)The Company has a spokesperson and an acting spokesperson in place. The relevant contact information is announced on the MOPS in accordance with the regulations, and finance and stock related information is announced on the MOPS and the Company's website to establish a good communication channel with investors. (II)The Company has set up a "Stakeholder Area" on the official website and lists main stakeholders based on operating attributes and a 2023 performance summary report on stakeholder communication, and has reported the communication status with each stakeholder to Board of Directors on November 2, 2023. We also set up exclusive contact numbers and e-mails according to different natures of stakeholders, with the responsible units responsible for handling.	No material difference.

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
VI. Does the company appoint a professional stock affairs agency to handle the shareholders' meeting affairs?	✓		The Company has appointed the Stock Transferdept, Cpatial Securities Corp. , Ltd. to handle various stock affairs.	No material difference.
VII. Information disclosure				
(I) Has the company set up a website to disclose financial business and corporate governance information?	✓		(I) Financial business, corporate governance, and other information is disclosed on the Company website, which is: www.hyc-king.com	No material difference.
(II) Does the company adopt other methods of information disclosure (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of company information, implementing a spokesperson system, placing investor conferences on the company website, etc.)?	✓		(II) The Company has designated special personnel to be responsible for the Company's information collection and disclosure of significant information; a spokesperson system has been set up to uniformly release information to the outside world.	
(III) Has the company announced and filed its annual financial report within two months after the end of the fiscal year, and announced and filed its first, second, and third quarter financial	✓		(III) Although the Company did not announce and file its annual financial report within two months after the end of the fiscal year, it still completed the announcement and filing within the time limit. The financial reports for	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
reports and monthly operating conditions before the prescribed time limit?			the first, second and third quarters were reported in advance within the announcement period, and the operating conditions of each month were announced and filed within the period as required.	
VIII. Does the company have other important information that can help to understand the operation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, directors' and supervisors' continuing education, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors and supervisors)?	✓		<p>(I) Employee rights and interests: The Company treats employees in good faith and protects the legitimate rights and interests of employees in accordance with the Labor Act.</p> <p>(II) Employee care: The Company provides employees with a welfare system to give them stability in their lives and a good training system, and has established a good relationship of mutual trust and interdependence with employees. For example, regular employee discussions, employee family days, and provision of cultural and recreational activities, health examination and medical consultation.</p> <p>(III) Investor relations: The Company convenes shareholders' meetings every year in accordance with the Company Act and relevant laws and regulations, and also</p>	No material difference.

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			<p>provides shareholders with ample opportunities to ask questions or make proposals. The Company also has a spokesperson system to handle shareholder suggestions and doubts, and handles relevant information announcements and reports in accordance with the provisions of the competent authority, and provides timely information that may affect investor decision-making.</p> <p>(IV) Supplier relations: The Company establishes partnerships with suppliers on the principle of equality and mutual benefit to establish a stable supply chain, and conducts irregular audits to confirm supply quality.</p> <p>(V) Rights of interested parties: The Company maintains smooth communication channels with banks, employees, consumers, and suppliers, respects and protects their legitimate rights and interests, and has a spokesperson system to answer investors' questions, with a view to providing investors and stakeholders with highly transparent</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			<p>financial and business information.</p> <p>(VI) Continuing education of directors : The Company regularly provides courses on corporate governance for directors Please refer to the description on page 75-76 of this annual report.</p> <p>(VII) Implementation of risk management policies and risk measurement standards: The Company has enacted various internal regulations in accordance with the law to conduct risk management and assessment.</p> <p>(VIII) Implementation of customer policies: The Marketing Department of the Company handles customer problems in a timely manner. After a customer has reported a problem, it will be handled within a time limit to protect the customer's rights. In addition, the Company has purchased product liability insurance to protect the users of products.</p> <p>(IX) The Company's purchase of liability insurance for directors and important managers: The Company purchases liability insurance for directors and important</p>	

Evaluation item	Operation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			managers every year, and has submitted an explanation to the Board of Directors on November 2, 2023, regarding the amount of insurance, coverage, premium rate, and other important contents.	
<p>IX. Please explain the status of improvements that have been made in accordance with the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and propose priority strengthening items and measures for those that have not been improved:</p> <p>Improvements already made: 1. The Company has started uploading the English versions of the shareholders' meeting manual, annual report, and annual financial statements in 2023.</p> <p style="padding-left: 40px;">2. A female director will be appointed during the director re-election in 2024 to implement the director diversity policy.</p> <p>Priority work items for strengthening and measures: The Board of Directors' supervision of sustainable development (such as the formulation and review of management principles, strategies and goals) are to be disclosed on the Company's website and annual report respectively.</p>				

(IV) If the company has set up a Remuneration Committee, disclose its composition, responsibilities and operation:

1. Responsibilities of the Remuneration Committee

Members of the Remuneration Committee shall faithfully perform the following duties and responsibilities to the Board of Directors in accordance with the Organizational Rules of the Remuneration Committee and with the due care of a good manager, and shall submit their suggestions to the Board of Directors for discussion.

- (1) Formulate and regularly review the policies, systems, standards and structures for the performance evaluation and compensation of directors and managers.
- (2) Regularly evaluate and determine the salary and remuneration of directors and managers.

2. Information on the members of the Remuneration Committee

Identity (Note 1)	Condition	Professional qualifications and experience	Independence status	Number of Remuneration Committee member positions concurrently served in other public companies
	Name			
Independent Director	Chen, Chun-Jen	<ol style="list-style-type: none"> 1. Independent director, member of the Audit Committee, convener of the Remuneration Committee of the Company. 2. Mr. Chen, Chun-Jen has served as a member (convener) of the Company's Remuneration Committee for more than 10 years, and has professional opinions on the appointment and dismissal of managers, the reward and remuneration system, personnel formulation, and salary measures. The Company relies on Mr. Chen, Chun-Jen's expertise to continuously supervise its operation. 3. There are none of the circumstances of Article 30 of the Company Act. 	<p>The three members on the left:</p> <ol style="list-style-type: none"> 1. All meet the independence qualification of independent directors. 2. Fully comply with independence requirements: <ol style="list-style-type: none"> (1) The person, their spouse, or any relative within the second degree of kinship have not served as a director, supervisor, or employee of the Company or any other affiliated enterprise. (2) The person, their spouse, or any relative within the second degree of kinship have not held the Company's shares. (3) Has not served as a director, supervisor or employee of a company with a specific relationship with the Company (by reference to Article 6, 	0

Identity (Note 1)	Condition Name	Professional qualifications and experience	Independence status	Number of Remuneration Committee member positions concurrently served in other public companies
Independent Director	Lin, Chen- Chih	<ol style="list-style-type: none"> 1. Independent director, member of the Audit Committee, member of the Remuneration Committee of the Company. 2. Mr. Lin, Chen-Chih has served as a member (convener) of the Company's Remuneration Committee for more than 9 years, and has professional opinions on the appointment and dismissal of managers, the reward and remuneration system, personnel formulation, and salary measures. The Company replies on Mr. Lin, Chen-Chih's expertise to continuously supervise its operation. 3. There are none of the circumstances of Article 30 of the Company Act. 	<p>paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange).</p> <p>(4) No amount of remuneration has been received from providing business, legal, financial, accounting and other services to the Company or its affiliated enterprises in the last two years.</p>	0
Independent Director	Lin, Chin- An	<ol style="list-style-type: none"> 1. Independent director, convener of the Audit Committee, member of the Remuneration Committee of the Company. 2. Mr. Lin, Chin-An has served as the manager of Changhua Bank Nantou Branch and Changhua Branch for more than 10 years. He has professional opinions on the reward system, personnel formulation and salary measures. The Company replies on Mr. Lin, Chin-An's expertise to continuously supervise its operation. 3. There are none of the circumstances of Article 30 of the Company Act. 		0

3. Information on the operation of the Remuneration Committee

- (1) There are 3 members on the Remuneration Committee of the Company.
 (2) The term of office of the current member is from July 22, 2021, to July 6, 2024.
 The member qualifications and attendance of the Remuneration Committee (A) of the latest year (2023) were as follows:

Title	Name	Number of actual non-voting attendances (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Chen, Chun-Jen	2	-	100%	
Member	Lin, Chen-Chih	2	-	100%	
Member	Lin, Chin-An	2	-	100%	

Other matters to be recorded:

- I. Date, session, proposal content, resolution of the meetings of the Remuneration Committee in the latest year and handling of the opinions of the Remuneration Committee:

Remuneration Committee	Proposal content and subsequent handling	Resolution	The Company's handling of the opinions of the Remuneration Committee
January 11, 2023 1st session of 2023	1. Reviewed the Company's proposed distribution of directors' and supervisors' remuneration and employees' remuneration for the year 2022 in accordance with the Articles of Association of the Company,	All members of the committee agreed and approved.	The proposal was submitted to the Board of Directors and approved by all directors present.

		<p>and the projected ratio for 2023.</p> <p>2. Reviewed the Company's dividend and year-end bonus payment standards for managers for 2022.</p> <p>3. Discussed the work plan of the Remuneration Committee of the Company for 2023.</p>		
August 3, 2023 2nd session of 2023	Reviewed the remuneration distribution plan of the directors and supervisors of the Company for 2022.	All members of the committee agreed and approved.	The proposal was submitted to the Board of Directors and approved by all directors present.	
<p>2. If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, state the date of the board meeting, the session, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee (if the remuneration adopted by the Board of Directors is superior to the suggestions of the Remuneration Committee, state the circumstances and reasons for the differences): No such situation.</p> <p>3. If the members of the Remuneration Committee disagree or reserve their opinions on the resolutions, and there are records or written statements in place, state the date, session, content of the proposal, opinions of all members, and the handling of the opinions of the members: No such situation.</p>				

(V) The implementation of the company's promotion of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development, and set up a dedicated (concurrent) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management and supervised by the Board of Directors?	✓		<p>On November 2, 2023, the Board of Directors of the Company approved the renaming of the Corporate Social Responsibility Best Practice Principles to the Sustainable Development Best Practice Principles, which serve as the guidelines for promoting sustainable development. The Human Resources Department, which is the unit concurrently responsible for promoting sustainable development, is responsible for proposing and implementing sustainable development policies, systems or related management policies and specific promotion plans, and regularly reports to the Board of Directors.</p> <p>A sustainable development promotion group has been established, with the President serving as the project leader. Under the green sustainable environmental management framework, it manages organizational and energy-related carbon reduction strategies, formulates a blueprint for the Company's short, medium and long-term low-carbon development direction, and holds</p>	No material difference.

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			<p>monthly meetings to review the implementation progress and report the implementation progress to the Board of Directors on a quarterly basis. The Board of Directors regularly listens to reports from the management team on a quarterly basis (including ESG reports). Management must formulate corporate strategies to the Board, which must judge the likelihood of success of those strategies, and must regularly review the progress of strategies and urge the management team to make adjustments as needed</p>	
<p>II. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?</p>	✓		<p>The risk assessment of the information disclosed by the Company mainly focuses on the Company. Based on the principle of materiality, the Company conducts risk assessment on important issues, and formulates various internal regulations according to the assessed risks. For each risk factor category, each responsible unit of the Company conducts risk control at different levels, and plans all control work after assessment. At the same time, the Company is expected to implement the risk assessment to minimize the uncertainty of its operation. The Company also focuses on</p>	No material difference.

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			climate change, energy, resources and other issues, and sets goals and regularly reviews the results.	
<p>III. Environmental issues</p> <p>(I) Has the company established an appropriate environmental management system according to its industrial characteristics?</p> <p>(II) Is the company committed to improving energy efficiency and using renewable materials with low impact on the environment?</p> <p>(III) Does the company assess the potential</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has obtained the ISO 14001:2015 environmental management system certification, with the latest certificate period being from August 28, 2021, to August 27, 2024. The Company continues to implement regular regulatory audits and compliance assessments in accordance with the relevant regulatory requirements of the environmental management system, so as to ensure the applicability of relevant environmental protection policies in the plants.</p> <p>(II) In order to promote green production, circular economy and environmental sustainability, the Company actively develops green energy products to contribute to our environment, and entrusts qualified recycling manufacturers to recycle the waste generated in the process to reduce the amount of waste; burning waste heat is also recycled to reduce energy consumption.</p> <p>(III) In order to respond to global warming and</p>	No material difference.

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons									
	Yes	No	Summary										
<p>risks and opportunities of climate change for the enterprise now and in the future, and take countermeasures for climate related issues?</p> <p>(IV) Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?</p>	✓		<p>effectively mitigate the impact of climate change, the Company actively promotes energy conservation and carbon reduction, actively participates in energy conservation and carbon reduction seminars, regulatory briefings, etc., and seeks possible improvement opportunities.</p> <p>(IV) In response to the government's policies on energy conservation and carbon reduction, the Company actively promotes various measures conducive to energy conservation and carbon reduction and the reduction of greenhouse gases. The total power consumption, water consumption and waste weight of all plants in the past two years were as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Water consumption (1000 L)</td> <td style="text-align: center;">13</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Industrial waste (ton) - all harmless</td> <td style="text-align: center;">566</td> <td style="text-align: center;">507</td> </tr> </tbody> </table>		2022	2023	Water consumption (1000 L)	13	10	Industrial waste (ton) - all harmless	566	507	
	2022	2023											
Water consumption (1000 L)	13	10											
Industrial waste (ton) - all harmless	566	507											

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			Starting from January 2024, the Company has successively implemented plans for the introduction of the ISO50001 energy management system and ISO14064-1 organizational carbon inventory and conducted all-staff education and training and inventory of energy equipment, identified major energy-consuming equipment, and made improvements. This is done in order to truly understand the organization's internal greenhouse gas emissions and set clear energy conservation and carbon reduction targets. Data on greenhouse gas emissions, water consumption and the weight of total waste each year are disclosed on the Company's website.	
IV. Social issues				
(I) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		(I) The Company complies with relevant labor laws and regulations, as well as international human rights conventions, such as gender equality, right to work, prohibition of discrimination, and other rights. The Company has formulated relevant management policies and procedures to fulfill its responsibility to protect human rights.	No material difference.
(II) Has the company formulated and implemented reasonable employee welfare measures (including salary, vacation, and	✓		(II) In order to take full care of employees, ensure their livelihood, provide good working conditions and meet their needs, in addition	

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>other benefits), and appropriately reflected the business performance or results in employee compensation?</p> <p>(III) Does the company provide a safe and healthy work environment for employees and conduct regular safety and health education for employees?</p>	✓		<p>to providing basic security according to law, various employee welfare activities and subsidies are handled.</p> <p>The Company has formulated relevant remuneration, bonus and performance appraisal measures, effectively linking work performance with individual remuneration, and clearly stipulated relevant provisions on employees' remuneration in the Articles of Association.</p> <p>Article 24 of the Articles of Association: After making up the losses, if there is any balance in the current year's profit before tax, the Company shall allocate no less than 2% as employees' remuneration, and no more than 3% as the directors' remuneration.</p> <p>Employees' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions.</p> <p>(III) The Company has obtained the ISO 45001:2018 Occupational Health and Safety Management System certification, with the latest certificate period being from October 31, 2022, to October 30, 2025. The Company conducts annual health inspection and health training for employees, regularly provides safety and health information for</p>	

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(IV) Has the company established an effective career development training program for employees?	✓		<p>employees, improves employees' safety and health awareness, implements the "Safety Operation Manual" for machines, and reminds employees of work safety through training and safety observation.</p> <p>The Company experienced a total of one occupational accident in 2023, involving one person (accounting for 0.93% of the total number of employees at the end of 2023). Units that have experienced occupational accidents must fill in an occupational accident investigation form in accordance with the Company's factory regulations, investigate the causes, and formulate improvement countermeasures for review. Check, review and follow up have been conducted and all occupational accident cases have been improved. The Company conducts regular fire equipment inspections and emergency response drills every year. There were no fire accidents in 2023.</p> <p>(IV) The Company provides education and training, has established a good environment in response to operational needs and functional planning, and arranged career development training plans based on personal career suitability and career planning.</p>	

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(V) Does the company comply with relevant laws and regulations and international standards, and formulate relevant policies and appeal procedures to protect the rights and interests of consumers or customers in terms of customer health and safety, customer privacy, marketing and labeling of products and services?	✓		(V) To ensure the appropriateness of the implementation of the quality assurance system, a quality control laboratory has been set up to maintain the good quality level of products. In order to provide customers with the best products and satisfactory services, we actively pay attention to the voices of customers. In addition to having set up dedicated personnel to provide procurement services, consultation and suggestions, a dedicated email address has been set up to handle and respond to customers' opinions and suggestions.	
(VI) Does the company have a supplier management policy that requires suppliers to comply with relevant specifications on issues such as environmental protection, occupational safety and health, or labor human rights, and its implementation status?	✓		(VI) Before engaging with suppliers, the Company requires suppliers to follow the relevant measures for suppliers, and pays attention to whether the suppliers have records that affect the environment and social responsibility. The "Regulations on the Selection and Management of Third-party Manufacturers" stipulate that manufacturers should comply with the Company's safety, health and environmental policies; in case of any violation, the Company can terminate or rescind the contract at any time.	

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
V. Has the company prepared sustainability reports and other reports that disclose non-financial information of the company by reference to internationally accepted reporting standards or guidelines? Have the aforementioned reports obtained the assurance or guarantee opinion of a third-party verification organization?	✓		The Company's corporate social responsibility related content has been disclosed on the Company's website, and the environmental safety personnel regularly report relevant environmental protection information. The Company has not prepared a corporate social responsibility report, but relevant corporate social responsibility information is regularly summarized in the annual report of the shareholders' meeting every year.	No material difference.
VI. If the company has established its own Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between their operations: 1. The Company renamed its "Corporate Social Responsibility Best Practice Principles" to "Sustainable Development Best Practice Principles" in compliance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies". 2. The Company strives to integrate corporate social responsibility into the overall operation of the Company. While engaging in enterprise operations, the Company actively practices corporate social responsibility, improves the quality of life of employees, communities and society, and promotes competitive advantages based on corporate responsibility. The actual operation is not significantly different from the Regulations.				
VII. Other important information that will help to understand the implementation of sustainable development: ※2023 achievements: The Company adheres to the concept of building a better society, dedicating itself to charity and social welfare, and continuously gathering internal and external resources to fulfill corporate social responsibility. We actively participate in public activities through "industry-school cooperation", "education support", "community giveback", etc. to care for the township, and give back to the society. I. Supporting disadvantaged families: Long-term support for totally 10 children from disadvantaged families in terms of tuition and miscellaneous expenses, and holding regular symposiums and gatherings to care about the living and learning conditions of school children.				

Promotion item	Execution status			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>II. Sponsoring local groups and deepening local cultivation:</p> <ol style="list-style-type: none"> 1. Long-term support of the funding of the Nantou County Police Friendly Association. 2. Long-term support of the funding of Nantou County Volunteer Police Fire Brigade. 3. Long-term support of the funding of the family support center to hold a warm-winter garden tour to help many struggling families face the cold winter of life. The period lasted for 22 years without interruption, and the Company was awarded the National Model of Child Care Award. 4. Sponsored the Taiwan Small Hydropower Alliance Forum exhibition event fees, website construction and other funds to contribute to the promotion of Taiwan's small hydropower development of green energy and renewable energy. 5. Sponsored condolence funds for the Kanu typhoon disaster relief workers <p>III. Education Support:</p> <ol style="list-style-type: none"> 1. Long-term funding for the jerseys and equipment of the Nantou County Xinfeng National Baseball Team for approximately NT\$120,000 per year, allowing disadvantaged students to stay in school for centralized training and complete school curriculum. In addition to improving their moral character, this can develop their interests in sports, strengthen their body and soul and enhance their confidence and future competitiveness. Scholarships are also granted when the players win awards for encouragement. 2. Invite to give a speech at Chaoyang University of Technology to assist students in understanding the enterprise. 				

(VI) The implementation of the company's promotion of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>I. Formulation of ethical corporate management policy and plan</p> <p>(I) Has the company formulated an ethical corporate management policy approved by the Board of Directors and clearly stated the policies and practices of ethical corporate management in rules and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the operations policy?</p> <p>(II) Has the company established a risk assessment mechanism for unethical behavior, regularly analyzed and assessed business activities within its business scope that have a high risk of unethical behavior, and formulated a plan to prevent unethical behavior that at least covers the preventive measures for acts under Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company's Ethical Corporate Management Best Practice Principles were adopted by the Board of Directors on May 8, 2015, and have been disclosed on the Company's website and the MOPS, and all directors, supervisors, managers and employees are required to abide by them.</p> <p>(II) In order to prevent unethical behavior in business activities, the Company's Ethical Corporate Management Best Practice Principles expressly prohibit unethical behavior, interests and attitudes, and the Company has established the "Operating Procedures and Guidelines for Ethical Corporate Management" to specifically regulate and prevent unethical behavior. The Company conducts risk assessment</p>	No material difference.

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(III) Has the company specified operating procedures, conduct guidelines, disciplinary and appeal systems for violations in the unethical behavior prevention plan, implemented them, and regularly reviewed and amended the disclosure plan?	✓		<p>and formulates necessary preventive measures every year when each department carries out its own assessment of the internal control system. The Company has also established strict codes of conduct, ethical standards, and appeals and related reward and punishment provisions in the “Rules of Procedure of Board of Directors’ Meetings”, “Work Rules”, and other rules. There was no corruption or bribery in 2023.</p> <p>(III) For areas with high risk of unethical behavior, the Company strengthened the promotion and guidance for directors, managers and employees for them to fully understand the Company’s ethical corporate management policy, encourage them to report unethical behavior, and cooperate with audits to prevent unethical behavior.</p>	

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the company evaluate the ethical corporate management record of its counterparties and specify the terms of ethical behavior in the contracts signed with counterparties?</p> <p>(II) Has the company set up a dedicated unit subordinate to the Board of Directors to promote the ethical corporate management of enterprises, and regularly (at least once a year) report to the Board of Directors its ethical corporate management policy and plan to prevent unethical behavior, as well as the implementation of supervision?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company regulates that employees shall treat customers and competitors fairly, and that they shall not ask for gifts, rebates, entertainment or other improper benefits from suppliers of the Company.</p> <p>(II)</p> <p>1. In order to improve the management of ethical corporate management, the Company has set up a human resources unit to be responsible for the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and reported to the Board of Directors on November 2, 2023.</p> <p>2. The Company has implemented the ethical corporate management policy. The relevant implementation in 2023 was as follows:</p> <p>A. Training and legal compliance promotion: The Company regularly holds a consensus camp for all employees twice a year. The HR Department will publicize the matters that</p>	<p>No material difference.</p>

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
			<p>employees should pay attention to when performing business and ask lawyers to explain the legal common sense of non-competition and confidentiality to all employees.</p> <p>B. Communication channels: Employees can reflect to various management levels and the human resources unit through multiple smooth channels, and the Company takes the initiative to announce the ethical corporate management policy and the implementation of ethical corporate management in external activities such as the website, annual report, and other external documents.</p> <p>C. Regular inspection: The operating activities of all operating sites are effectively controlled and implemented through the Company's annual self-audit and self-assessment of compliance with laws and regulations, and they are independently audited by the audit unit to ensure the operation of the overall mechanism and joint</p>	

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(III) Has the company developed a prevention policy for conflicts of interest, provided appropriate presentation channels, and implemented them?	✓		<p>management and prevention of unethical behavior.</p> <p>D. Whistleblower system and whistleblower protection: The Company has enacted the “Measures for Handling Cases of Illegal or Unethical or Dishonest Acts”, which stipulate that the relevant supervisors have the responsibility to keep confidential the information of the parties. In addition, the HR Department is the dedicated unit for reporting and accepting such cases. The cases accepted in 2022 were mainly due to improvements of operational procedures, and appropriate measures have been taken.</p> <p>(III) The “Work Rules” of the Company clearly stipulate that an employee is not allowed to use their position to require customers or manufacturers to entertain or give gifts, or accept commissions, gratuities or other improper benefits. In addition, the Company has expressly stipulated that employees who engage in work that is in</p>	

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management, and has the internal audit unit formulated relevant audit plans based on the assessment results of unethical behavior risks, and audited the compliance with the unethical behavior prevention plan, or entrusted a CPA to perform the audit?	✓		<p>conflict with the Company's interests without permission shall be dismissed. The Company's "Rules of Procedure for Board of Directors' Meetings" have provisions on interest recusal. In case of any conflict of interest, the director shall not participate in the discussion, and shall not participate in the voting by leaving the meeting in accordance with the principle of interest recusal.</p> <p>(IV) The accounting system of the Company is formulated with reference to the relevant laws and regulations of the competent authority and the actual business situation of the Company; the internal control system is formulated with reference to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and other relevant provisions; both of these have been implemented. The Audit Office includes the high-risk operation items in the annual audit plan according to the risk assessment results,</p>	

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(V) Does the company regularly hold internal and external training on ethical corporate management?	✓		<p>in order to check the actual implementation of the operation and report to the Board of Directors. The CPAs also review the implementation of the Company's internal control system every year.</p> <p>(V) The Company continues to promote ethical corporate management culture through various meetings. Internal education and training on ethical corporate management related topics were held at all-employee consensus camps on January 19 and July 22, 2023, respectively, (including corporate fraud prevention, insider trading prevention advocacy, ethical corporate management related regulations, and other related courses), for a total of 151 attendances and 76 hours altogether.</p>	
<p>III. Operation of the Company's whistleblower system</p> <p>(I) Has the company established a specific whistleblower and reward system, established</p>	✓		<p>(I) The Company provides unimpeded whistleblowing channels and keeps the identity of the whistleblower and the</p>	No material difference.

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
<p>a convenient channel for whistleblowing, and assigned appropriate personnel to handle complaints?</p> <p>(II) Has the company established standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation, and relevant confidentiality mechanisms?</p> <p>(III) Does the company take measures to protect whistleblowers from improper handling due to whistleblowing?</p>	<p>✓</p> <p>✓</p>		<p>content of the whistleblowing fully confidential in accordance with the relevant procedures.</p> <p>(II) The Company has formulated the “Measures for the Report on Illegal, Immoral and Dishonest Acts”, which stipulate that the relevant supervisors have the responsibility to keep confidential the information of the parties.</p> <p>(III) The Company will keep whistleblowers confidential during the whistleblowing process, and they will not be punished for whistleblowing.</p>	
<p>IV. Strengthening of information disclosure</p> <p>(I) Does the company disclose the content of its Ethical Corporate Management Best Practice Principles and promote its effectiveness on its website and the MOPS?</p>	<p>✓</p>		<p>The Company has formulated the Ethical Corporate Management Policy, Ethical Corporate Management Best Practice Principles, and Operating Procedures and Guidelines for Ethical Corporate Management, and publicly disclosed them on the Company’s website and in the annual report.</p>	<p>No material difference.</p>

Evaluation item	Operation status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
V.			If the company has established its own Ethical Corporate Management Best Practice Principles in compliance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the differences between their operations: No material difference.	
VI.			Other important information that will help to understand the company’s ethical corporate management (such as the company’s review and revision of its ethical corporate management best practice principles): The operation of the Company complies with the Securities and Exchange Act, the Company Act, the Business Entity Accounting Act, the relevant rules and regulations for TWSE or TPEX listing, and other laws and regulations related to business conduct, as the basis for implementing ethical corporate management. In addition, the Audit Office audits each department in accordance with the audit plan, and regularly audits the implementation of the Company’s systems through an external audit unit (such as an accounting firm). Major operational decisions, investment plans, bank financing, and other matters are evaluated and analyzed by the relevant responsible departments and implemented only after being approved by the Board of Directors.	

(VII) If the company has established corporate governance best practice principles and related regulations, disclose their inquiry method:
Please refer to the MOPS at <http://mops.twse.com.tw/mops/web/index/> the Company's website at https://www.hyc-king.com/investor_tw_4.php Investor Zone/Other Company Operation Overview/Important Professional Procedures and Other Relevant Regulations.

(VIII) Other important information sufficient to enhance the understanding of the corporate governance operation may be disclosed together:

1. The directors, supervisors and managers of the Company regularly participate in the continuing education and training of corporate governance related courses. The continuing education and training in 2023 were as follows:

Job title	Name	Date	Organizer	Course name	No. of hours
Chairman	Lin, Chi-Chin	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Chairman	Lin, Chi-Chin	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Corporate Director Representative	Lin, Chi-Uo	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Corporate Director Representative	Lin, Chi-Uo	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Director	Huang, Kuo-Chen	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Director	Huang, Kuo-Chen	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Director	Chiu, Po-Ta	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Director	Chiu, Po-Ta	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Director	Chen, Chao-Kao	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Director	Chen, Chao-Kao	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Director	Chen, Chin-I	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Director	Chen, Chin-I	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours

Job title	Name	Date	Organizer	Course name	No. of hours
Independent Director	Chen, Chun-Jen	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Independent Director	Chen, Chun-Jen	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Independent Director	Lin, Chen-Chih	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Independent Director	Lin, Chen-Chih	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Independent Director	Lin, Chin-An	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
Independent Director	Lin, Chin-An	2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Accounting Manager	Lin, Chiu-Hung	2023/07/24 2023/07/25	Accounting Research and Development Foundation	Continuing Study Courses for Accounting Supervisors of Securities Issuers, Securities Firms and Stock Exchanges	12 hours
Accounting Manager representative	Lu, Su-chuan	2023/10/16 2023/10/17	Accounting Research and Development Foundation	Continuing Study Courses for Accounting Supervisors of Securities Issuers, Securities Firms and Stock Exchanges	12 hours
Corporate Governance Manager	Lin, Chiu-Hung	2023/05/10	Taiwan Corporate Governance Association	The impact of global trends on Taiwanese companies, and related analysis	3 hours
		2023/09/22	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Training Class (Central)-Carbon Sinks, Carbon Rights and Carbon Trading	9 hours
		2023/11/02	Taiwan Corporate Governance Association	The New ESG Economy and New Opportunities for Corporate Transformation	3 hours
Audit Manager	Liu, Wei-Ting	2023/08/17	Internal Audit Association of the Republic of China	Focused seminar on the integration and application of sustainable ESG and internal auditing and internal control in enterprises	6 hours
		2023/08/23	Internal Audit Association of the Republic of China	Lending of funds, endorsements/guarantees and regulations and practical analysis on obtaining and disposing of assets	6 hours

Job title	Name	Date	Organizer	Course name	No. of hours
Finance personnel	Ping, Hsiang-fen	2023/10/18 2023/11/15	Internal Audit Association of the Republic of China	1. Trade Secrets Act and Non-Competition Case Analysis 2. Enhancing the sustainable value of the enterprise and improving the risk management system	12 hours
Executive Vice President	Li, Chiung-Tung	2023/12/19 2023/12/20	Taiwan Rubber and Elastomer Industries Association	Two-day class on greenhouse gas inventories	12 hours
Export business	Lin, Ting-yu	2023/09/22 2023/09/23	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Training Class (Central)-Carbon Sinks, Carbon Rights and Carbon Trading	9 hours
HR Manager	Lin, Feng-Yi	2023/12/13	Bureau of Industrial Parks, Ministry of Economic Affairs	Trade secret protection and corporate sustainable management	3.5 hours
HR Manager	Lin, Feng-Yi	2023/06/11 2023/12/10	Labor Employment Win-win Consulting Co., Ltd	Human Resources and Labor Law Reading Club	12 hours

2. The Company personnel's annual environmental safety training and acquisition of relevant licenses and certificates are as follows:

Job title	Name	Date	Organizer	Course name or the license or certificate received
Production Section Chief	Chou, Chih-sheng	2023/04/14	Taiwan Boiler Association Nantou professional training	On-the-Job Training for Hazardous Occupation Supervisors (Organic Solvents, Specific Chemicals, Dust and Lead)
Administrative personnel	Hsu, Chia-cheng	2023/04/21	Taiwan Boiler Association Nantou professional training	On-the-Job Training for Emergency Rescue Personnel (refresher training)
Reserve Officer Engineer	Lin, Le-tien Tseng, Chun-yu	2023/06/08-16 2023/06/17-18	Changhua Vocational Training, Chinese Labor Education Association	Training Course for Fixed Cranes above 3 Metric Tons (Overhead Type, Ground Operation)
Work Services Section Chief	Chen, Ming-yu	2023/06/21	Taichung Vocational Training, Taiwan Boiler Association	Training on Metal Welding and Cutting Using Acetylene Welding Equipment or Gas Welding Equipment

Job title	Name	Date	Organizer	Course name or the license or certificate received
Engineering Business	Huang, Chung-yu	2023/09/14	Taichung Vocational Training, Safety and Health Association of Taiwan	On-the-Job Training for Emergency Rescue Personnel (refresher training)
Engineering Business	Huang, Chung-yu	2023/10/12	Taichung Vocational Training, Safety and Health Association of Taiwan	Refresher Training, Occupational Health and Safety Supervisors
Technician	Chiang, Yi-heng	2023/08/08-25	Taiwan Boiler Association Nantou professional training	Stationary Crane Operator Training Course

(IX) For the implementation of the internal control system, disclose the following matters:

1. Internal Control Statement:

Hsin Yung Chien Co., Ltd. Internal Control Statement

Date: February 22, 2024

Based on the results of self-assessment, the Company's internal control system for 2022 is hereby stated as follows:

- I. The Company knows that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has already established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operational effectiveness and efficiency (including profitability, performance and asset security), reliability, timeliness, transparency of reporting, and compliance with relevant norms and relevant laws and regulations.
- II. An internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the three objectives above. Moreover, due to changes in environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a built-in supervision mechanism, and once deficiencies are identified, the Company will take corrective action immediately.
- III. The Company judges whether the design and implementation of the internal control system is effective in accordance with the judgment items of the effectiveness of the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The judgment items of the internal control system adopted in the "Regulations" divide the internal control system into five components according to the process of management control: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each component element includes several items. For the items above, please refer to the provisions of the "Regulations".
- IV. The Company has adopted the internal control system judgment items above to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the evaluation referred to in the preceding paragraph, the Company believes that the design and implementation of the internal control system as of December 31, 2023, including the understanding of the effectiveness of operations and the extent to which efficiency goals have been achieved, the

reliability, timeliness, transparency of reporting, and the compliance with relevant norms and relevant laws and regulations, as well as the compliance with relevant internal control systems, are effective and can reasonably ensure the achievement of the goals above.

- VI. This statement will become the main content of the Company's annual report and prospectus, and will be made public. If there are false, hidden, and other illegal circumstances in the disclosure above, the legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.
- VII. This Statement was approved by the Board of Directors of the Company on February 22, 2024. Of the 9 directors present, all directors agreed to the contents of this Statement.

Hsin Yung Chien Co., Ltd.

Chairperson: Lin, Chi-Chin

General Manager: Lin, Chi-Uo

2. Where a CPA is entrusted to audit the internal control system on a special case basis, the CPA's audit report shall be disclosed: None.

(X) Where the company and its internal personnel have been penalized in accordance with the law in the most recent year and up to the date of printing of the annual report, or the company has imposed penalties on its internal personnel for violating the provisions of the internal control system, and the results of the penalties may have a significant impact on shareholders' equity or securities prices, the contents of the penalties, major deficiencies and improvements shall be listed: No such situation.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors for the most recent year and up to the printing date of the annual report:

1. Important decisions and implementation status of the 2023 shareholders' meeting:

Meeting date	Important decisions and implementation status
2023.06.27	<p>1. Recognition of 2022 business report and financial statements. Implementation status: passed by a resolution of the shareholders' meeting and announced on the Market Observation Post System and the Company's website.</p> <p>2. Recognition of 2022 earnings distributions. Implementation status: In addition to the legal reserve set aside from the 2022 earnings in accordance with the Company's Articles of incorporation, it is planned to combine the earnings with the cumulative undistributed earnings of the past years to distribute cash dividends of NT\$389,958,535 per share to shareholders, at NT\$5 per share. The above-mentioned cash dividend was distributed on August 9, 2023.</p>

2. Important resolutions of the board meetings from January 1, 2023 to March 30, 2024 (the printing date):

Meeting date	Important resolutions
<p>2023.01.11 10th meeting of the 19th term</p>	<ol style="list-style-type: none"> 1. Approval of the 2023 business plan and budget. 2. Approval of the allocation ratios of directors' and supervisors' remuneration and employee bonus for 2022 in accordance with the provisions of the Company's 2023 Articles of Association. 3. Approval of the standards of bonus and year-end bonus distribution for managers in 2022. 4. Approval of the Rules of Procedure for Board Meetings. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.
<p>2023.03.22 11th meeting of the 19th term</p>	<ol style="list-style-type: none"> 1. Extension of the bank financing limit. 2. Approval of the 2022 Internal Control System Effectiveness Assessment and Internal Control System Declaration. 3. Approval of amendment of the Procedures for Transactions with Related Parties, Specific Companies and Group Enterprises, the Rules of Procedure for Board Meetings, the Rules for the Scope of Responsibilities of Independent Directors, the Regulations on Mutual Financial Operations of Related Parties, the Code of Conduct and Voting Policies for Controlling Corporate Shareholders' Performance of Responsibilities, and the Organizational Rules for Remuneration Committee. 4. Approval of appointment and remuneration of CPAs. 5. Approval of the assessment of independence and competency of CPAs for 2023. 6. Approval of the distribution of employees' remuneration and directors' remuneration for 2022. 7. Approval of the 2022 business report and financial statements. 8. Approval of the 2022 earnings distribution. 9. Approval of the 2023 general shareholders' meeting related matters. 10. Approval of the acceptance of shareholder proposals for the 2023 general shareholders' meeting. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.

Meeting date	Important resolutions
2023.05.10 12th meeting of the 19th term	Approval of financial statements for 2023 Q1. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.
2023.08.03 13th meeting of the 19th term	1. Approval of financial statements for 2023 Q2. 2. Extension of the bank financing limit. 3. Approval of respective directors' remuneration for 2022. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.
2023.11.02 14th meeting of the 19th term	1. Approval of the annual audit plan according to Article 13 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies". 2. Approved amendment of the Computerized Data System Processing Cycle. 3. Approved amendment of the Sales and Collection Cycle. 4. Approval of financial statements for 2023 Q3. 5. Extension of the bank financing limit. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.
2024.01.24 15th meeting of the 19th term	1. Approval of the 2024 business plan and budget. 2. Approval of directors' remuneration and employee bonuses for 2023 in accordance with the provisions of the Company's Articles of Incorporation and of the estimated allocation ratios for 2024. 3. Approval of the standards of bonus and year-end bonus distribution for managers in 2023. Resolution: The proposal was passed by all attending directors accordingly without objection. Implementation status: The meeting resolution above have been implemented accordingly.
2024.02.22 16th meeting of the 19th term	1. Approval of extension of the bank financing limit. 2. Approval of the 2023 Internal Control System Effectiveness Assessment and Internal Control System Declaration. 3. Approval of the assessment of independence and competency of CPAs for 2024. 4. Approval of the distribution of employees' remuneration and directors' remuneration for 2023.

	<p>5. Approval of the 2023 business report and financial statements.</p> <p>6. Approval of the 2023 earnings distributions.</p> <p>7. Approval of re-election of directors.</p> <p>8. Approval of the nomination list of director candidates.</p> <p>9. Approval of the discharge of new directors and their representatives from non-competition restrictions.</p> <p>10. Approval of the 2024 general shareholders' meeting related matters.</p> <p>11. Approval of the general meeting of shareholders' acceptance of shareholder proposals and matters related to nomination of director candidates (including independent directors) for 2024.</p> <p>Resolution: The proposal was passed by all attending directors accordingly without objection.</p> <p>Implementation status: The meeting resolution above have been implemented accordingly.</p>
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- (XII) In the most recent year and up to the printing date of the annual report, if the directors had different opinions on important resolutions passed by the Board of Directors, and there are records or written statements, the main contents: None.
- (XIII) The resignation or dismissal of the chairperson, president, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor or R&D supervisor of the company in the most recent year and up to the printing date of the annual report: None.

V. Information on the professional fees of the attesting CPAs :

(I) CPA fees

Unit: NT\$ thousand

CPA firm name	CPA name	CPA audit period	Audit fees	Non-audit fees	Total	Remark
PricewaterhouseCoopers Taiwan	Wu, Sung-Yuan	2023/01/01	1,790	702	2,492	note
	Hung, Shu-Hua	~ 2023/12/31				

Note: Non-audit fees mainly include the tax certification fee, transfer pricing report analysis project fee, direct deduction method verification fee for part-time business owner, and seal certification fee.

(II). If the Company has any of the following circumstances, disclose the CPA fees:

- (1) If the accounting firm is replaced and the audit fees paid in the year of replacement are less than those paid in the year prior to the replacement, the amounts of the audit fees before and after the replacement and the reasons thereof shall be disclosed: Not applicable.
- (2) If the audit fee has decreased by more than 10% from that of the previous year, disclose the amount, proportion and reasons for the decrease: There is no such situation.

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VI. Information on replacement of CPAs: None.

VII. The chairperson, president or manager in charge of financial or accounting affairs of the company who has served in the CPA firm or its affiliated enterprises within the most recent year: None.

VIII. For the most recent year and up to the date of printing of the annual report, the transfer of shares and changes in pledges of shares by directors, managers, and shareholders holding more than 10% of the shares:

- (I) Changes in equity held by directors, managers, and shareholders holding more than 10% of the shares:

Title	Name	2023		Current year as March 17	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairperson	Lin, Chi-Chin	(2,947,005)	-		-
Director	Ji Uo Investment Co., Ltd. - Representative: Lin, Chi-Uo	-	-	-	-
Director	Huang, Kuo-Chen	400	-	-	-
Director	Chen, Chin-I	-	-	-	-
Director	Chen, Chao-Kao	-	-	-	-
Director	Chiu, Po-Ta	10,000	-	-	-
Independent Director	Chen, Chun-Jen	-	-	-	-
Independent Director	Lin, Chen-Chih	-	-	-	-
Independent Director	Lin, Chin-An				
Legal person representative and president	Lin, Chi-Uo	(2,482,280)	-		-
Manager	Chou, Yi-Shang	-	-	-	-
Manager	Li, Chiung-Tung	-	-	-	-
Manager	Lin, Chiu-Hung	1,000	-	-	-
Manager	Chang, Wei-Hsiu	-	-	-	-
Manager	Lin, Feng-I	-	-	-	-
Major shareholder	Chi Kuan Investment Co., Ltd. - Representative: Lin, Chi-Chin	-	-	-	-
Major shareholder	Yu Zhen Co., Ltd Representative: Lin, Chi-Uo	8,187,675			

(II) Information on directors, managers, and shareholders holding more than 10% of the shares whose equity is transferred to a related party:

Name	Reason for equity transfer (note 2)	Transaction date	Transaction counterparty	The relationship between the transaction counterparty and the Company, directors, supervisors and shareholders holding more than 10% of the shares	Number of shares	Transaction price
Lin, Chi-Chin	Establishment with offset payment	2023/04/10	Preparation Office of Ji Wng Cheng Co., Ltd. Responsible person: Lin, Chi-Chin	The Company's directors are its initiators	2,947,005	103.5
Lin, Chi-Uo	Establishment with offset payment	2023/04/10	Preparation Office of You Zhen Co., Ltd. Representative : Lin, Chi-Uo		2,482,280	103.5

(III) Information on directors, managers, and the relative parties of equity pledge with shareholding ratio of more than 10% who are related parties: None.

IX. For the top ten shareholders in shareholding, the information on their relationships as related parties or spouses or relatives within the second degree of kinship:

Name	Own shares		Shares held by spouse and minor children		Total shares held in the names of others		The names and relationships of the top ten shareholders who are related parties or spouses or relatives within the second degree of kinship.		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Chi Kuan Investment Co., Ltd. - Representative: Lin, Chi-Chin	8,392,907	10.76%	-	-	-	-	Change, Hui-Kuan	Spouse	-
You Zhen Co., Ltd. Representative: Lin, Chi-Uo	8,187,675	10.50%	-	-	-	-	Lin, Chi-Chin	Brother	-
Ji Wng Cheng Co., Ltd. Representative: Lin, Chi-Chin	6,950,513	8.91%	-	-	-	-	Change, Hui-Kuan	Spouse	-
Ji Uo Investment Co., Ltd. - Representative: Lin, Chi-Uo	5,723,349	7.34%	-	-	-	-	Lin, Chi-Chin	Brother	-
Change, Hui-Kuan	2,579,239	3.31%	-	-	-	-	Lin, Chi-Chin	Spouse	-
Lin, Chi-Chin	2,456,000	3.15%	2,579,239	3.31%	-	-	Change, Hui-Kuan	Spouse	-
Trust Property Special Account Entrusted by Lin, Chi-Chin	2,200,000	2.82%	-	-	-	-	-	-	-
Trust Property Special Account Entrusted by Stella Hu	2,200,000	2.82%	-	-	-	-	-	-	-
Lin, Fang-Ling	1,920,000	2.46%	-	-	-	-	Lin, Chi-Chin Lin, Chi-Uo	Brother Brother	-
Lin, Pei-Yao	1,100,000	1.41%	-	-	-	-	Lin, Chi-Chin	Father	-

**X. The number of shares held by the company, its directors, supervisors, managers, and enterprises directly or indirectly controlled by the company in the same reinvested enterprise, and the consolidated shareholding ratio:
No such situation.**

Four. Fund Raising

I. Capital and shares:

(I) Source of share capital:

Unit: thousand shares

Month and year	Issue price	Approved capital		Paid-in capital		Remark		
		Number of shares (in thousand)	Amount (NT\$ thousand)	Number of shares (in thousand)	Amount (NT\$ thousand)	Source of share capital	Using assets other than cash to offset share capital	Others
August 1969	10	50	500	50	500	Share capital at establishment	-	-
September 1978	10	200	2,000	200	2,000	Capital increase from cash of 150,000 shares	-	Note 1
June 1980	10	1,700	17,000	1,700	17,000	Capital increase from cash of 1,500,000 shares	-	-
January 1991	10	2,700	27,000	2,700	27,000	Capital increase from cash of 1,000,000 shares	-	-
November 1993	10	5,700	57,000	5,700	57,000	Capital increase from cash of 3,000,000 shares	-	Note 2
December 1996	10	7,900	79,000	7,900	79,000	Capital increase from capital surplus of 2,200,000 shares	-	-
December 1997	10	10,500	105,000	10,500	105,000	Capital increase from earnings of 2,600,000 shares	-	Note 3
December 1999	10	13,954	139,535	13,954	139,535	Capital increase from earnings of 3,453,500 shares	-	Note 4
September 2002	10	19,577	195,768	19,577	195,768	Capital increase from earnings of 5,623,260 shares	-	Note 5
November 2002	10	19,706	197,060	19,706	197,060	Share swap due to merger of 129,200 shares	-	Note 6
October 2003	10	25,000	250,000	21,500	215,000	Capital increase from capital surplus of 1,794,040 shares	-	Note 7
September 2004	10	30,000	300,000	27,502	275,020	Capital increase from cash of 4,000,000 shares Capital increase from earnings of 1,505,000 shares Capital increase from capital surplus of 497,000 shares	-	Note 8
September 2005	10	44,300	443,000	31,500	315,000	Capital increase from earnings of 2,200,160 shares Capital increase from capital surplus of 1,797,840 shares	-	Note 9
December 2005	10	44,300	443,000	33,000	330,000	Capital increase from cash of 1,500,000 shares	-	Note 10
July 2006	10	44,300	443,000	38,050	380,500	Capital increase from earnings of 2,310,000 shares Capital increase from capital surplus of 2,640,000 shares Capital increase from employee bonus of 100,000 shares	-	Note 11
October 2006	10	44,300	443,000	42,807	428,070	Capital increase from cash of 4,757,000 shares	-	Note 12
October 2007	10	70,000	700,000	44,947	449,473	Capital increase from earnings of 2,140,350 shares	-	Note 13
May 2008	10	70,000	700,000	44,965	449,654	New shares from corporate bond conversion of 18,041 shares	-	Note 14
July 2008	10	70,000	700,000	45,040	450,398	New shares from corporate bond conversion of 74,421 shares	-	Note 15

Month and year	Issue price	Approved capital		Paid-in capital		Remark		
		Number of shares (in thousand)	Amount (NT\$ thousand)	Number of shares (in thousand)	Amount (NT\$ thousand)	Source of share capital	Using assets other than cash to offset share capital	Others
September 2008	10	70,000	700,000	45,044	450,443	New shares from corporate bond conversion of 4,510 shares	-	Note 16
October 2008	10	70,000	700,000	47,794	477,943	Capital increase from earnings of 2,750,000 shares	-	Note 17
October 2009	10	70,000	700,000	50,184	501,840	Capital increase from earnings of 2,389,716 shares	-	Note 18
August 2000	10	70,000	700,000	55,202	552,024	Capital increase from earnings of 5,018,404 shares	-	Note 19
September 2010	10	70,000	700,000	60,202	602,024	Capital increase from cash of 5,000,000 shares	-	Note 20
May 2011	10	70,000	700,000	60,838	608,386	New shares from corporate bond conversion of 636,170 shares	-	Note 21
July 2011	10	70,000	700,000	61,000	610,002	New shares from corporate bond conversion of 161,679 shares	-	Note 22
October 2011	10	70,000	700,000	61,386	613,866	New shares from corporate bond conversion of 386,334 shares	-	Note 23
August 2014	10	70,000	700,000	67,525	675,253	Capital increase from earnings of 6,138,663 shares	-	Note 24
September 2019	10	100,000	1,000,000	70,902	709,016	Capital increase from earnings of 3,376,264 shares	-	Note 25
September 2021	10	100,000	1,000,000	77,992	779,917	Capital increase from earnings of 7,090,155 shares	-	Note 26

- Note 1: Approved via letter Tai-Jian-Shang-Xin-Zi No. 011516 dated October 5, 1978.
- Note 2: Approved via letter Jing-(1993)-Shang-Zi No. 126019 dated December 28, 1993.
- Note 3: Approved via letter Jing-1998-Shang-Zi No. 102755 dated February 19, 1998.
- Note 4: Approved via MOEA letter Jing-(2000)-Shang-Zi No. 089100914 dated January 12, 2000.
- Note 5: Approved via MOEA letter Jing-Shou-Shang-Zi No. 09101365540 dated September 4, 2002.
- Note 6: Approved via MOEA letter Jing-Shou-Shang-Zi No. 09101468110 dated November 28, 2002.
- Note 7: Approved via letter Jing-Shou-Zhong-Zi No. 09232836030 dated October 23, 2003.
- Note 8: Approved via letter Jing-Shou-Zhong-Zi No. 09332657820 dated September 8, 2004.
- Note 9: Approved via letter Jing-Shou-Zhong-Zi No. 09432866670 dated September 21, 2005.
- Note 10: Approved via letter Jing-Shou-Zhong-Zi No. 09433332660 dated December 12, 2005.
- Note 11: Approved via letter Jing-Shou-Zhong-Zi No. 09532504270 dated July 13, 2006.
- Note 12: Approved via letter Jing-Shou-Zhong-Zi No. 09532968690 dated October 11, 2006.
- Note 13: Approved via letter Jing-Shou-Zhong-Zi No. 09632841010 dated October 3, 2007.
- Note 14: Approved via letter Jing-Shou-Zhong-Zi No. 09732164930 dated May 1, 2008.
- Note 15: Approved via letter Jing-Shou-Zhong-Zi No. 09732555100 dated July 8, 2008.
- Note 16: Approved via letter Jing-Shou-Zhong-Zi No. 09732897980 dated August 22,

2008.

- Note 17: Approved via letter Jing-Shou-Zhong-Zi No. 09733198340 dated October 3, 2008.
- Note 18: Approved via letter Jing-Shou-Shang-Zi No. 09801235560 dated October 13, 2009.
- Note 19: Approved via letter Jing-Shou-Shang-Zi No. 09901175110 dated August 9, 2010.
- Note 20: Approved via letter Jing-Shou-Shang-Zi No. 09901204140 dated September 8, 2010.
- Note 21: Approved via letter Jing-Shou-Shang-Zi No. 10001088800 dated May 3, 2011.
- Note 22: Approved via letter Jing-Shou-Shang-Zi No. 10001148910 dated July 12, 2011.
- Note 23: Approved via letter Jing-Shou-Shang-Zi No. 10001235200 dated October 14, 2011.
- Note 24: Approved via letter Jing-Shou-Shang-Zi No. 10301179560 dated August 29 2014.
- Note 25: Approved via letter Jing-Shou-Shang-Zi No. 10801125490 dated September 18, 2019.
- Note 26: Approved via letter Jing-Shou-Shang-Zi No. 11001165150 dated September 22, 2021.

Share type	Approved capital			Remark
	Outstanding shares	Unissued shares	Total	
Bearer form Common shares	77,991,707	22,008,293	100,000,000	Listed shares

Where approval has been obtained to offer and issue securities under the omnibus reporting system, disclose the approved amount, information related to the intended issue and the issued securities: Not applicable.

(II) Shareholder structure:

March 17, 2024

Shareholder structure Number	Government agencies	Financial institutions	Other legal persons	Foreign institutions and foreigners	Individuals	Total
Number of people	0	0	41	40	5,290	5,371
Shares held	0	0	35,583,601	3,072,989	39,335,117	77,991,707
Shareholding ratio	0.00%	0.00%	45.62%	3.94%	50.44%	100.00%

(III)Equity dispersion:

March 17, 2024

Shareholding tiers	Number of shareholders	Shares held	Shareholding ratio
1 to 999	1,819	319,406	0.41%
1,000 to 5,000	2,690	5,112,785	6.56%
5,001 to 10,000	374	2,748,379	3.52%
10,001 to 15,000	166	2,003,032	2.57%
15,001 to 20,000	62	1,102,717	1.41%
20,001 to 30,000	70	1,685,645	2.16%
30,001 to 40,000	31	1,104,116	1.42%
40,001 to 50,000	34	1,536,917	1.97%
50,001 to 100,000	57	4,116,071	5.28%
100,001 to 200,000	33	4,693,457	6.02%
200,001 to 400,000	12	3,630,365	4.66%
400,001 to 600,000	7	3,301,189	4.23%
600,001 to 800,000	4	2,820,048	3.61%
800,001 to 1,000,000	0	0	0%
1,000,001 and above	12	43,817,580	56.18%
Total	5,371	77,991,707	100.00%

- (IV) List of major shareholders:
Name, number of shares held and proportion of shareholding held by shareholders with a shareholding ratio of 5% or more, or shareholders with a top ten shareholding ratio:

March 17, 2024

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
Chi Kuan Investment Co., Ltd.		8,392,907	10.76%
You Zhen Co., Ltd.		8,187,675	10.50%
Ji Wng Cheng Co., Ltd.		6,950,513	8.91%
Ji Uo Investment Co., Ltd.		5,723,349	7.34%
Change, Hui-Kuan		2,579,239	3.31%
Lin, Chi-Chin		2,456,000	3.15%
Trust Property Special Account Entrusted by Lin, Chi-Chin		2,200,000	2.82%
Trust Property Special Account Entrusted by Stella Hu		2,200,000	2.82%
Lin, Fang-Ling		1,920,000	2.46%
Lin, Pei-Yao		1,100,000	1.41%

- (V) Market price, net value, earnings, dividends and related information of each share for the most recent two years:

Unit: NT\$/thousand shares

Item		Year			
		2022	2023	Current year as of March 30, 2024	
Market price per share	Highest	143.00	118.50	113.5	
	Lowest	90.70	94.50	104	
	Average	112.88	103.62	107.08	
Net value per share	Before distribution	38.50	39.60	-	
	After distribution	33.50	34.60(Note)	-	
Earnings per share	Weighted average number of shares	77,992	77,992	77,992	
	Earnings per share	Before retroactive adjustment	5.03	6.02	-
		After retroactive adjustment	5.03	6.02	-

Dividend per share	Cash dividend		5	5 (Note)	-
	Free share allotment	Earnings distribution	-	-	-
		Stock dividend from capital surplus	-	-	-
	Accumulated unpaid dividends		-	-	-
Investment return	P/E ratio		22.44	17.21	-
	P/D ratio		22.58	20.72	-
	Cash dividend yield		0.04	0.05	-

Note: The dividend per share in 2023 was only passed by resolution of the Board of Directors on February 22, 2024, but has not yet been passed by the 2024 shareholders' meeting, so it has not yet been actually distributed.

(VI) Dividend policy and implementation status:

1. Dividend policy:

- (1) After making up the losses, if there is any balance in the current year's profit before tax, the Company shall allocate no less than 2% as employees' remuneration, and no more than 3% as the directors' remuneration. Employees' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions. The distribution of employees' remuneration and directors' remuneration shall be made by a resolution adopted by the Board of Directors at which more than two-thirds of the directors are present and the proposal approved by a majority of the directors present, and it shall be reported to the shareholders' meeting.
- (2) If the Company has a surplus in its annual final accounts, it shall first pay profit-seeking enterprise income tax and make up for its losses in previous years. If there is still a surplus, it shall set aside 10% as the legal reserve in accordance with the law, and set aside or reverse the special reserve in accordance with the law; if there is any remaining balance, then the Board of Directors shall prepare an earnings distribution proposal for it together with and the accumulated undistributed earnings, and submit it to the shareholders' meeting for resolution on dividend distribution. Since the Company is in a stage of stable growth, considering shareholders' equity, the Company's financial structure and long-term development, the total amount of shareholders' dividends should be more than 20% of the accumulated

undistributed earnings, of which cash dividends should not be less than 10% of the total shareholders' dividends.

2. The proposed dividend distribution at this shareholders' meeting:
The Company's profit distribution plan for 2023 has been drafted by the Board of Directors, and a cash dividend of NT\$5 per share will be distributed. After it has been passed by the resolution of the general shareholders' meeting, another benchmark date for interest distribution will be set.

(VII) The effect of the proposed free share allotment at the current shareholders' meeting on the company's operating performance and earnings per share: Not applicable.

(VIII) Remuneration of employees and directors:

1. Percentage or range of remuneration of employees and directors as stated in the Articles of Association:

Article 24: After making up the losses, if there is any balance in the current year's profit before tax, the Company shall allocate no less than 2% as employees' remuneration, and no more than 3% as the directors' remuneration. Employees' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions.

The distribution of employees' remuneration and directors' remuneration shall be made by a resolution adopted by the Board of Directors at which more than two-thirds of the directors are present and the proposal approved by a majority of the directors present, and it shall be reported to the shareholders' meeting.

Article 24-1: If the Company has a surplus in its annual final accounts, it shall first pay profit-seeking enterprise income tax and make up for its losses in previous years. If there is still a surplus, it shall set aside 10% as the legal reserve in accordance with the law, and set aside or reverse the special reserve in accordance with the law; if there is any remaining balance, then the Board of Directors shall prepare an earnings distribution proposal for it together with and the accumulated undistributed earnings, and submit it to the shareholders' meeting for resolution on dividend distribution. Since the Company is in a stage of stable growth, considering shareholders' equity, the Company's financial structure and long-term development, the total amount of shareholders' dividends should be more than 20% of the accumulated undistributed earnings,

of which cash dividends should not be less than 10% of the total shareholders' dividends.

2. The basis for estimating the remuneration of employees and directors in the current period, the basis for calculating the number of shares of employees' remuneration distributed by shares, and the accounting treatment if the actual distribution amount is different from the estimated amount:

If there is still any change in the amount after the date of issuance of the annual financial report, it shall be handled according to the change in accounting estimates, and the amount shall be adjusted and recorded in the next year.

3. Remuneration distribution by resolution of the Board of Directors:
The Board of Directors of the Company approved the proposal on February 22, 2024. The distribution of earnings for 2023 for the remuneration of employees and directors is as follows:

- (1) If the amount of remuneration of employees and directors distributed in cash or stock is different from the estimated amount in the year of recognition, disclose the difference, reason and handling:

The Company allocated an estimated amount of employee cash remuneration of NT\$12,074,269 and directors' remuneration of NT\$9,055,701 in 2023. After deliberation, the Remuneration Committee submitted the proposal to the Board of Directors for approval, and planned to distribute remuneration to employees and directors in cash, which was no different from the estimated amount.

- (2) The ratio of employees' remuneration distributed by shares to the total after-tax profit and employees' remuneration in the current individual or respective financial report: None.

4. Actual distribution of remuneration of employees and directors in the previous year:

Item	Amount decided by the Board of Directors	Actual amount paid	Difference
Employees' remuneration	NT\$10,675,157	NT\$10,675,157	None
Directors' remuneration	NT\$8,006,369	NT\$8,006,369	None

(IX) The Company's repurchase of its own shares: None.

II. Handling of corporate bonds and convertible corporate bonds: None.

III. Handling of special shares: None.

IV. Handling of overseas depositary receipts: None.

V. Handling of employee stock option certificates:

- (l) For employee stock option certificates, disclose the status of handling and the impact on shareholders' equity as of the printing date of the annual report:

March 30, 2024

Type of employee stock option certificates	1st employee stock option certificates in 2020
Filing and affective date	September 1, 2020
Issue date	November 24, 2020
Number of units issued	2,000,000 shares
Ratio of the number of share subscriptions issued to the total number of issued shares	2.56%
Duration of subscription	10 years
Performance mode	Delivered by issuing new shares of the Company.
Restricted subscription period and ratio (%)	The stock option holder may not exercise the stock option within six years before the expiration of the employee stock option certificate, and may exercise the right to subscribe in full after the expiration of six years.
Number of shares acquired	0
Executed subscription amount	0
Number of outstanding shares for subscription	2,000,000 shares
Subscription price per share of those which have not been subscribed to	82.6
Number of outstanding shares for subscription to total issued shares (%)	2.56%
Impact on shareholders' equity	The Company estimates that the future revenue will show a growth trend, so the overall assessment shows that the dilution of earnings per share of the Company in the future years is still limited, and there is no significant impact on existing shareholders' equity.

(II) Names and status of acquisition and subscription of managers and the top ten employees who have obtained stock option certificates:

March 30, 2024

	Title	Name	Number of share subscriptions acquired	Acquired Number of share subscriptions as a percentage of total issued shares (%)	Already executed				Not executed			
					Number of share subscriptions	Subscription price	Subscription amount	Number of subscribed shares as a percentage of total issued shares	Number of share subscriptions	Subscription price	Subscription amount	Number of subscribed shares as a percentage of total issued shares
Manager	Executive Vice President	Li, Chiung-Tung	365,000	0.51%	0	0	0	0	365,000	82.6	30,149,000	0.47%
	Production Manager	Chou, Yi-Shang										
	Finance Manager	Lin, Chiu-Hung										
	R&D Manager	Chang, Wei-Hsiu										
	HR Manager	Lin, Feng-I										
Employee	Special Assistant	Hu, X-hui	475,000	0.67%	0	0	0	0	475,000	82.6	39,235,000	0.61%
	Senior Specialist	Chang, X-Hao										
	Section Chief	Chang, X-Hsiang										
	Section Chief	Chou, X-Sheng										
	Section Chief	Huang, X-Chin										
	Section Chief	Chen, X-Yu										
	Section Chief	Wang, X-Chun										
	Senior Specialist	Chiang, X-Chin										
	Head	Liu, X-Ting										
	Sales	Liu, X-Hsuan										

VI. Handling of new shares with restricted employee rights:None.

VII. Handling of issuance of new shares for the merger or acquisition of shares of other companies: None.

VIII. Implementation of fund utilization plan: Not applicable.

Five. An Overview of Operations

I. Business Contents:

(I) Business scope:

1. Key business contents:

- (1) Manufacturing, processing and trading of rubber conveyor belts, rubber plates and various rubbers that are oil resistant, acid resistant, heat resistant and fire resistant.
- (2) Manufacturing of other rubber products.
- (3) Manufacturing, processing and trading of composite products.
- (4) General import and export business. (Except for licensed businesses)

2. Business proportions:

The business proportions of the Company's main products in 2023 are as follows:

Unit: NT\$1,000

Product name	2023 business turnover	Proportion of 2023 business (%)
Rubber products	1,532,461	98.35
Others	25,695	1.65
Total	1,558,156	100.00

3. The Company's current products and services:

Product type	Product name	Key applications and functions
Conveyor belt for mining/construction	Flat surface, heat-resistant, oil-resistant, fire-resistant, steel cable, etc.	It is used for long-distance transportation in various industries such as steel, ore, cement, sand and coal.
Inclined conveyor belt	Various tooth shapes	It is suitable for transporting all kinds of coal, mineral sands and powder materials.
Industrial rubber conveyor belt	Flat surface, heat-resistant, oil-resistant, fire-resistant, etc.	It is suitable for the transporting of various automatic production lines such as in anti-static electronic factories and shoe factories.
Rubber dam	Rubber dam	At present, it is widely used in irrigation, power generation, water storage, flood control, ecology, water parks, urban landscaping, etc.
Composite material products	Electronic hot-pressed cushion gaskets and thermoplastic sheets with environmental protection, energy saving and long-term effect.	Applied in the PCB industry hot pressing process and thermoplastic sheets.

4. New products to be developed:

(1) Rubber products

In terms of product development, the Company is also actively engaged in innovation and research to make product projects more diversified and application scopes wider. As for rubber, the products are in line with the current trend towards special rubber types such as green energy conveyor belts, energy saving conveyor belts, super heat-resistant and oil-resistant conveyor belts, and wear-resistant and fire-resistant conveyor belts, so that customers have more diversity in product selection. Recently the main direction of R&D is mainly to cooperate with customers to develop special rubber products and create products with higher added value.

(2) Composite material products

The thermoplastic composite material developed by the Company, in addition to having the same characteristics of light weight and high strength, has the advantage of being able to be recycled and remanufactured into different shapes, which completely eliminates the non-recyclable environmental protection issues of traditional thermosetting composite material. In addition, with the advantages of thermoplastic composite material of fewer processes and shorter manufacturing time, it can be fully introduced into the Industry 4.0 mode for automatic mass production, and solve the problem of labor shortage caused by the use of huge amounts of manpower in industries related to thermosetting carbon fiber composite material. The total manufacturing cost is a major advantage compared with traditional thermosetting carbon fiber composite material.

(II) Industry overview:

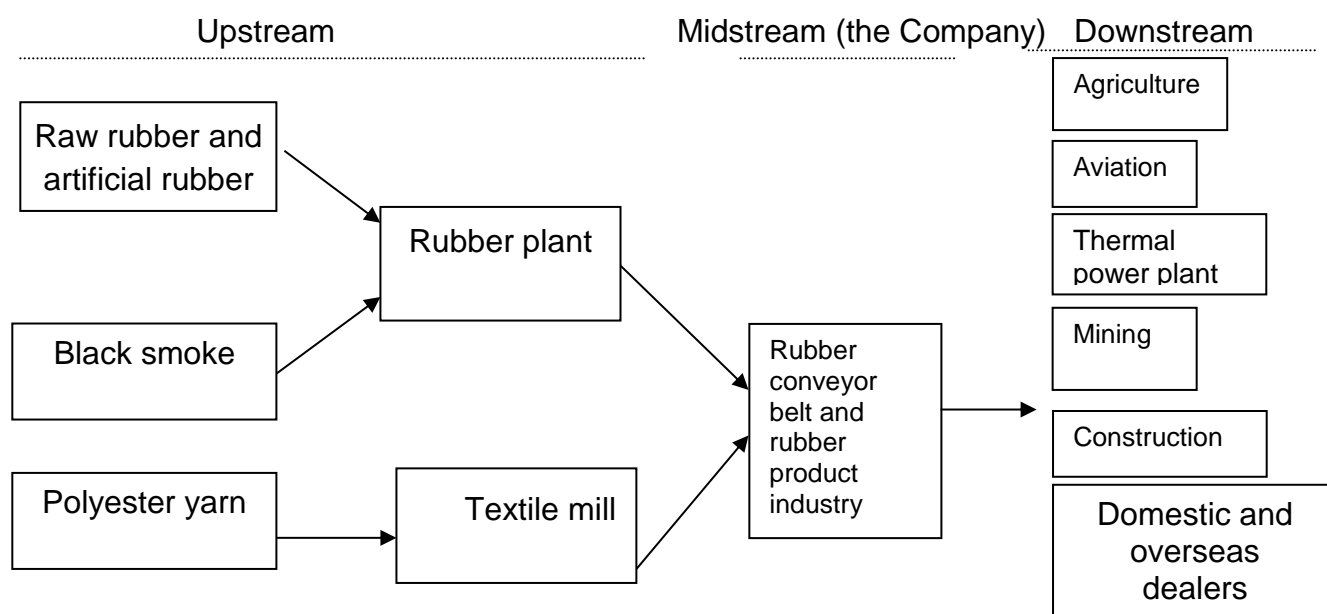
1. Current status and development of the industry:

The rubber product industry has a wide range of applications, ranging from sneaker soles to rubber hoses, rubber conveyor belts and tire belts. The rubber conveyor belt industry belongs to traditional industry. Under the long-term competitive market environment, the industry has actively invested in the addition of production equipment, the improvement of process technology, and the development of new products. Now, it has developed from a labor-intensive industry in the past to a new value industry which is technology and equipment intensive. Because most rubber conveyor belts in the past were heavy general conveyor belts, their application field was mainly in heavy industries such as the mining industry and power plant industry. In recent years, the demand for rubber conveyor belts decreased due to the slowdown of global economic growth, and the joining of international competitors such

as those from South Korea, India, Eastern Europe and China resulted in an overall phenomenon of price cutting in the international market, which affected the profits of general heavy conveyor belts. On the one hand, the Company actively develops the light conveyor belt market, promotes products with high strength, light weight and long service life, and at the same time extends the application of rubber products to the consumer product industry, and develops new market demand for rubber products; on the other hand, the Company strengthens the automation of machinery and equipment to reduce labor costs, and increases production capacity to create the benefits of economic production scale, so as to respond to the increasingly competitive market.

The main raw materials of rubber conveyor belts are rubber and cloth, which account for about 80% of the production cost. Therefore, the physical properties, substitutability, procurement sources and bargaining power of raw materials in the future will be the key to determine the profit of the industry. The Company maintains good and stable relationships with raw material suppliers, and our strength accumulated in raw material formulae after years of research and development will be conducive to future market competition.

2. Relevance of upstream, midstream and downstream industries:



3. Various development trends and competitive situations of the products:

Conveyor belts can be divided into mining conveyor belts, shipping logistics conveyor belts, inclined conveyor belts, agricultural conveyor belts, industrial rubber conveyor belts, and various types of rubber boards based on their applications. In terms of natural resource extraction, they are mainly applied in the fields of coal, mining, cement, sand and thermal power generation. The product market is in a mature stage, and in recent years, due to the global economic slowdown, the demand for iron ore sand has declined, and there is no obvious growth space for the conveyor belt market. We are actively developing products in new application areas to meet customer needs with a high production technology threshold, and there is a large potential for future market demand growth. Since the financial tsunami, the Company has adopted a business model that focuses on quality but not quantity, and does not blindly sacrifice profits for a high revenue. In recent years, the main product development has been special rubber products jointly developed with customers to create products with higher added values; the Company has also stepped into new operating areas and invested in composite material factories to further improve the Company's business performance.

According to the 2022 Taiwan Manufacturing Industry Top 2000 Survey by CommonWealth Magazine in 2023, the Company ranked the 1071th in the revenue ranking, and the 101th among in the manufacturing industry in terms of profit rate. At present, there is no publicly available industry information for reference in the global conveyor belt industry; the Company is the largest professional conveyor belt manufacturer in the world and a leading manufacturer in the domestic rubber conveyor belt market.

(III) Overview of technology and R&D:

1. Technical aspect:

The technical level of the Company's existing products can be divided into three aspects: material, structure, and processing and manufacturing. In terms of rubber materials, we actively develop products beyond the existing specifications, such as corrosion-resistant conveyor belts, which can be used in high acid and alkali environments such as chemical plants and salt farms, and strengthen the investment in environmental protection products. In terms of cloth, we develop new structures with good ductility and produce high-strength and low-shrinkage single-layer cloth conveyor belts, so as to reduce the power cost of users and make energy saving and carbon reduction as the niche of product promotion. In terms of product structure, we are

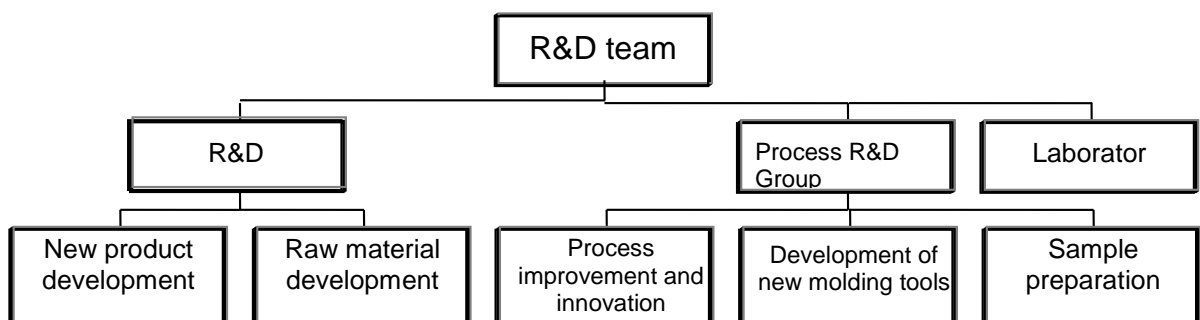
committed to reinforcing cloth fibers, which has the advantage of absolute replacement of multi-layer fiber layers for high-impact products. In terms of the reprocessing process, we continue reducing the manufacturing process, reduce the generation of leftovers, develop various molds and fixtures, promote the paperless work mode in the factory, and strengthen the efficient human-machine combination process.

2. R&D status:

In the future, the focus of our R&D will still be on material, structure and process improvement. In addition to continuing the product R&D in more specifications for existing products, the Company focuses on mold improvement and innovation as well. In the area of chemical fiber cloth raw material, the Company cooperates with domestic manufacturers to develop high-strength fabrics suitable for high-impact products with the advantage of replacing multi-layer fiber cloth layers. In the area of rubber, we focus on conveyor belts, energy-saving conveyor belts, super heat-resistant and oil-resistant conveyor belts and wear-resistant and fire-resistant conveyor belts which are in line with the current trend of environmental friendliness. Our R&D direction is to improve upon the existing basis, and expand the breadth and depth of the Company's products to achieve the goal of "customer satisfaction". In recent years, the Company has actively invested in composite material products, and successfully developed thermoplastic composite material plates with the characteristics of being light, thin, strong, tough and beautiful. Under the trend of light weight, high structural efficiency and innovative and beautiful design for industrial, automotive, electric bicycle and consumer products, the composite material products provided by the Company can offer characteristics that cannot be achieved by plastic, rubber or metal plates.

3. R&D personnel and their academic experience:

The organization of the Company's overall R&D team is as follows:



Education of the Company's R&D team as of the end of 2023:

Unit: person

Education level	Year	
	2022	2023
PhD	0	0
Master's	2	2
University and college	3	3
High school	0	0
Total	5	5

4. R&D expenses invested in the last two years and up to the date of printing of the annual report:

Unit: NT thousand

Item	Year	
	2022	2023
R&D expenses	7,757	18,547

5. Technologies or products successfully developed in 2023:

- (1) Cooling water bed
- (2) Environment friendly and low-carbon rubber products.

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

1. Short-term plans:

- (1) Comply with the accuracy of customer delivery time by reserving the capacity of machines for urgent orders and increasing the adaptability of machines, so as to improve customer satisfaction.
- (2) Accelerate the production schedule of new product lines and actively develop domestic and export markets.

2. Long-term plans:

- (1) Continue promoting our own brands and market them around the world with the KING and NEWSHEET composite material brands to increase market share.
- (2) Continue developing low-carbon, green energy and environmental protection products, and understand the needs of customers.
- (3) Continue process improvement and cost reduction.

II. Overview of the Market and Production and Sales Status:

(I) Market analysis:

1. Sales regions of key products:

Unit: NT\$1,000; %

Year Sales region	2022		2023	
	Amount	Amount	金額	%
North America	927,616	50%	751,237	48%
Europe	352,965	19%	361,966	23%
Asia	528,059	29%	413,148	27%
Other regions	37,315	2%	31,805	2%
Total	1,845,955	100%	1,558,156	100%

2. Market share:

According to the “Industrial Product Group Data” compiled by the Ministry of Economic Affairs, the production value, sales value and domestic and export sales value of Taiwan’s rubber belt (2102010) industry in 2022 and 2023 were as follows:

Unit: NT\$1,000

Year	Production value	Sales value	Domestic sales value	Export value
2022	3,885,517	4,196,705	1,569,771	2,626,934
2023	3,373,210	3,744,864	1,358,463	2,386,401
Annual increase rate	-13.19%	-10.77%	-13.46%	-9.16%

If the sales value of conveyor belts in the “Industrial Product Group Data” of the Ministry of Economic Affairs in the above table is used for calculation, the operating revenue of the Company for 2023 and 2022 accounted for 42% and 44% of Taiwan's conveyor belt industry, respectively, and the market share is relatively suitable compared with that in the previous year. Mainly due to the continued increase in interest rates by major countries in Europe and the United States to curb inflation and the significant slowdown of manufacturing activities in every country with the ongoing Russo-Ukrainian War, 2023 witnessed a decrease in demand that in turn affected revenue and income. Despite the decrease in revenue, the Company's gross profit margin is still good as it continues to optimize the product portfolio. Due to the proper control of expenses and the significant decrease in export sea freight, there is growth in operating margin compared to the same period last year.

3. Future supply and demand and growth of the market:

The conveyor belts of the Company can be divided into heavy, light and other types, and can be divided into two categories according to their application fields: one is the heavy conveyor belt used for mining, power plants and other purposes, and the other is the light conveyor belt used for agriculture, animal husbandry, various types of tilt, construction, air transport and aviation stations. Because China, India, Eastern Europe and other countries have joined the supply market with their low price advantages, the market price competition is fierce. At present, most of the world's major conveyor belt manufacturers are in China, Europe, the United States and Japan. Because there is no organization for the statistics of the market demand for conveyor belts, and Taiwan's overall industrial output value is very small, it is difficult to extrapolate and estimate the global conveyor belt supply market. Although rubber conveyor belts are mature products, the global market scale is large; that is, the market is growing moderately, but because they are industrial consumer goods, the market will not shrink unless new substitutes appear.

The Company has more than 50 years of experience in production processes, and actively develops special rubber products with high added value together with customers instead of engaging in price competition. In recent years, the Company has also actively developed rubber products for rubber dams and animal husbandry to improve gross profit.

4. Competitive niche:

A. Possession of a complete conveyor belt product line

The Company's product line covers heavy, light and special conveyor belts. The physical properties of the products range from general to various types of belts with heat resistance, fire resistance, oil resistance, impact resistance and cutting resistance. Appearances range from flat to various patterns of toothed conveyor belts, with widths ranging from 300 mm to 4000 mm, thicknesses ranging from 3 mm to 40 mm, and lengths up to 500 M. The application fields range from traditional coal, iron ore, sand and stone industries to aviation logistics, agriculture, animal husbandry, construction and aviation. In the future, under the trend of automation and high efficiency, the demand for conveyor systems will increase day by day, and the application of conveyor belts will also become broader. The Company will continue its R&D to provide customers with diversified products and meet their demand for full purchase in one go.

B Labor-saving and high-productivity machinery and equipment

The sustainable operation of the rubber conveyor belt industry mainly depends on raw material development and process capacity, which includes production technology, machine and equipment functions and capacity scale. At present, the Company has three plants, including two conveyor belt manufacturing plants and one cloth soaking plant, with conveyor belts of a width of 4M. In terms of production technology, the Company has more than 50 years of production technology; it can reduce direct labor while at the same time improving the output per unit hour, and effectively reduce the generation of ineffective man-hours for line change. In order to facilitate material preparation and the timeliness of material accounting, it is more convenient to set up automatic warehouse storage equipment in individual plants. The automation of machinery and equipment greatly reduces the Company's labor demand, and the Company will be able to improve production performance more efficiently, which helps to improve product diversification and quality stability.

C. Innovative process capability

The Company has two automatic conveyor belt manufacturing plants, which can quickly meet various conveyor belt schedules for large amounts. The automatic production equipment effectively reduces the labor demand, and the Company constantly seeks innovation and change in the production process. It has made progress year by year in improving unit output and reducing quality anomalies, reducing the consumption cost of traditional molds and improving product output value. Looking forward to the future, the Company will continue to innovate processes in the direction of energy saving and time saving, and provide customers with high-quality products with competitive prices. The Company has been established for more than 50 years. During this period, after many internal organizational adjustments and overall external economic recession risks, the Company has always responded to the changes in the overall environment with a flexible organizational structure, and therefore has a complete system in terms of organization management and personnel training. In addition to the products themselves, the key factors for future industrial profits are the full use of internal resources and good production management. To sum it up, under the excellent leadership of the management team, it is expected that the competitiveness of the Company will be greatly improved in the future for a better business performance and profitability.

5. Favorable and unfavorable factors of the development prospect and countermeasures:

A. Favorable factors

(A) Our products are customized with high technical levels.

Rubber conveyor belts are generally customized products that need to comply with specific equipment properties and application environments; there is a wide range of product types and specifications and a wide range of applications for the products, which are not mass-produced standardized products. The technical level of the products can be divided into three aspects: material, structure, and processing and manufacturing. In terms of the manufacturing process, it is necessary to adjust the complex manufacturing process in line with the R&D of the rubber formula, and to go through the processes of extrusion, tablet production, molding and sulfur addition. In addition to the matching of the front and rear stages of each piece of processing equipment, the setting of the machine and the operation of the personnel need to undergo repeated tests with a considerable cost of time. Therefore, the sustainable operation of the industry is based on the long-term planning of production content, equipment capacity, manufacturing process and rubber R&D to achieve continuous growth. Since its establishment, the Company has specialized in rubber conveyor belts of various specification as a professional manufacturer of rubber conveyor belts. In the past decade, the Company has invested in the innovation of equipment upgrades, process improvements, product specification expansion and rubber material development, so that the Company can still maintain a stable profit level within the global recession.

(B) The new functions of production equipment can effectively reduce costs

The Company has state-of-the-art production equipment that has gone through repeated improvement of functionality, giving the Company a competitive advantage in both quality and price. In 2019, the production width reached up to 11,000 mm, making the product line more complete.

(C) The scale of production attracts cooperation from major manufacturers

At present, most of the major manufacturers in the conveyor belt industry are concentrated in Europe and the United States. With the rise of the Asian economy and the slowdown of the economic growth of Europe and the United States, it has become a trend for

the major conveyor belt manufacturers to move their production bases to Asia. Hsin Yung Chien is the leader among Asian manufacturers in terms of machine equipment function, capacity scale and production technology. For many years, the Company has been focusing on its core business of conveyor belts as a professional manufacturer and striving for excellence, and the Company can quickly meet customer needs in raw material development and product diversification. The Company has established a good reputation in the conveyor belt industry, and has an ample room in the cooperation with and selection of major international manufacturers in the future.

B. Unfavorable factors

(A) The profit margin of traditional conveyor belts is compressed

The traditional conveyor belt market has reached a mature stage, and the market development is limited. The overall demand of the conveyor belt market is still dominated by ordinary flat conveyor belts. Due to the low entry threshold as well as the low cost and preferential tariffs of China, India and Eastern Europe, their low price strategies have led to a sharp decline in the profit of traditional conveyor belts.

Countermeasures:

- a. In terms of sales strategy, actively develop orders for special conveyor belts and reduce the sales proportion of general conveyor belts, in order to reduce the risk of product elimination and strengthen the Company's competitiveness.
- b. In terms of pricing strategy, adopt different pricing strategies for different product requirements to improve the overall profitability of the Company.
- c. Under the Company's 50-year production technology platform, actively develop composite materials applied in electronics, consumer product, automobile and other applications, and look forward to injecting new momentum for revenue growth under the stable market supply and demand for conveyor belts.
- d. Effectively reduce production costs through process improvement and equipment upgrade.
- e. Increase production capacity to reduce production costs.

(B) The price of raw materials fluctuates greatly

The main raw materials of rubber conveyor belts are rubber and cloth. Taiwan is not a rubber producing country, and relies entirely on imports. The international rubber price, like the price of crude

oil, is generally subject to fluctuations in market economic factors. In recent years, the prices of artificial rubber and natural rubber have been affected by and fluctuating accordingly with the oil price, making the production cost fluctuate greatly.

Countermeasures:

- a. Actively search for rubber suppliers. In the past, rubber was obtained indirectly through domestic agents. At present, rubber suppliers are directly sought from rubber producing countries to reduce the cost of rubber acquisition.
- b. Engage in the research of rubber raw materials, look for raw material formulae that meet the needs of customers and the production quality requirements, and cooperate with upstream gluing plants in the research and testing of rubber compound formulae.

(C) Capital intensive industry with long payback period

Due to the long manufacturing process, rubber conveyor belts require a large amount of capital investment in machinery and equipment, which is different from the tires of the rubber product industry which are labor-intensive. Due to the large amount of capital investment required in advance, the industrial operational risk is relatively high, and a long period of operation is required for cost recovery.

Countermeasures:

- a. Develop new product channels, strive to improve capacity utilization, and reduce the share ratio of fixed costs.
- b. Obtain lower capital costs through the capital market, and reduce the initial cost burden of investment.

(D) Exchange rate changes increase the exchange risk:

Our products are mainly exported, so the risks arising from changes in foreign exchange rates have a considerable impact on our profit.

Countermeasures:

- a. The financial department pays attention to exchange rate changes at all times, collects the views of various professional institutions on exchange rates, strengthens the ability to analyze and judge exchange rate trends, reflects costs and adjusts selling prices in a timely manner, and performs appropriate foreign exchange hedging.
- b. Natural hedging by using foreign currencies for purchase and sales to reduce the risk of loss due to exchange.

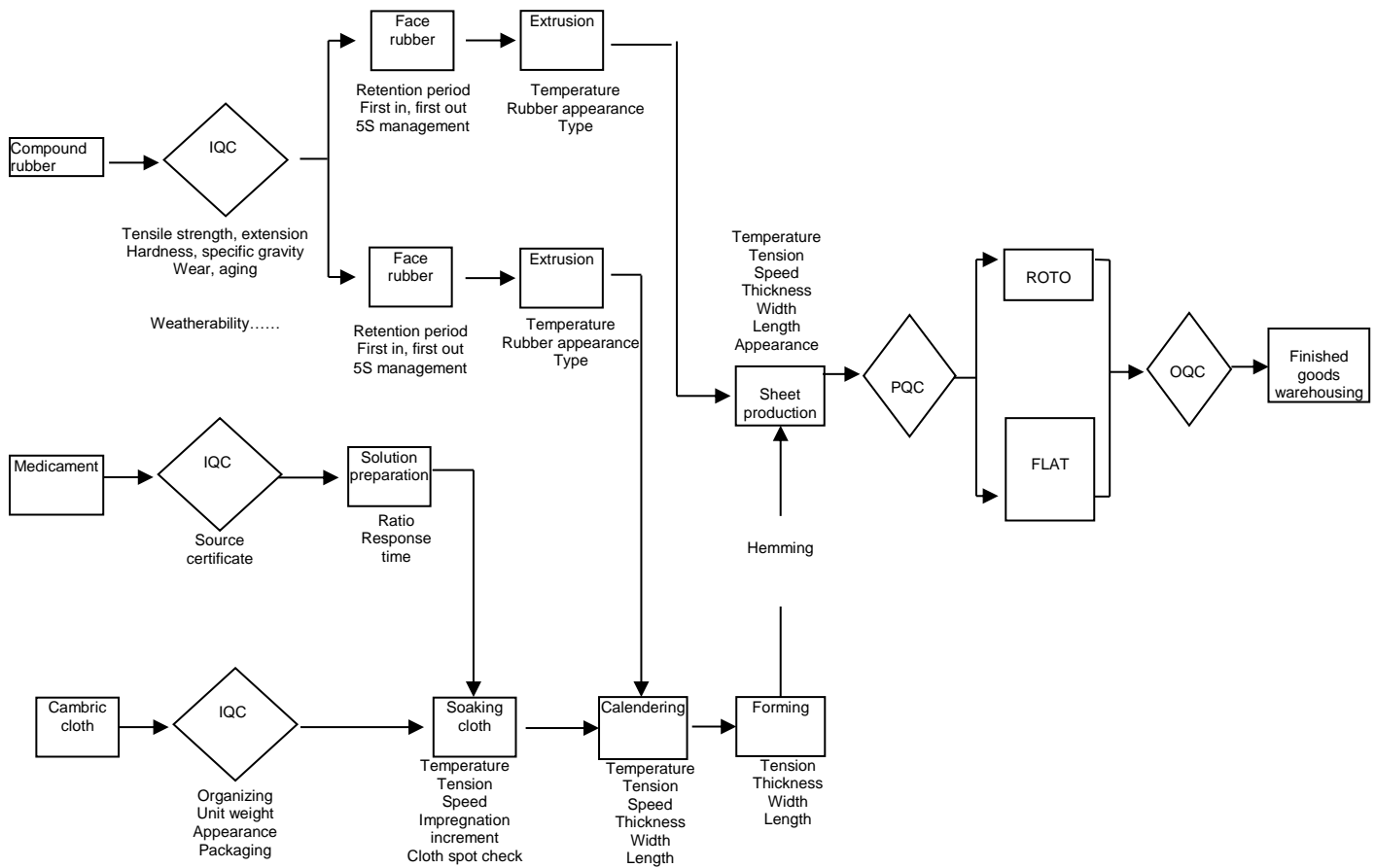
(II) Important applications and production processes of key products:

1. Applications of key products:

The key products of the Company are all kinds of heavy, light and special

conveyor belts, which are used in industries such as manufacturing, mining, cement and steel of general automatic production lines and power plants; rubber plates are used in industry, automobile and construction.

2. Production processes



(III) Supply of key raw materials:

The main materials of HYC are artificial rubber, black carbon rubber and raw cloth, etc. and the main suppliers are long-term cooperation with HYC. In order to ensure the stability of the supply source, we still keep in touch with other suppliers and the supply status is good to meet customers' needs.

(IV) Major customers:

1. Data of customers accounting for more than 10% of the total sales in the last two years:

Unit: NT\$thousand

Item	2022 年				2023 年			
	Name	Amount	Percentage of net annual sales (%)	Relationship with the issuer	Name	Amount	Percentage of net annual sales (%)	Relationship with the issuer
1	Company C	310,183	17	Customer	Company A	285,154	18	Customer
2	Company E	246,334	13	Customer	Company C	223,787	14	Customer
3	Company A	191,436	10	Customer	other	1,049,215	68	Customer
	other	1,098,002	60	Customer				
	Net sales	1,845,955	100		Net sales	1,558,156	100	

Reasons for changes: In 2023, due to the successive interest rate hikes by countries in Europe and the United States to curb inflation, manufacturing activities in all countries significantly slowed down. In addition, the ongoing conflict between Russia and Ukraine affected the Company's operating performance, resulting in changes in customers with over 10% of total goods sold.

2. Data of suppliers accounting for more than 10% of the total purchases in the last two years:

Unit: NT\$thousand

Item	2022 年				2023 年			
	Name	Amount	Ratio of net annual purchases (%)	Relationship with the issuer	Name	Amount	Ratio of net annual purchases (%)	Relationship with the issuer
1	Clep	203,693	29	Note	Clep	187,453	30	Note
2	D	141,430	20	Supplier	D	119,515	19	Supplier
3	E	116,321	16	Supplier	E	90,187	15	Supplier
4	C	81,159	11	Supplier	C	71,085	11	Supplier
5	Other	169,376	24	Supplier	Other	153,074	25	Supplier
	Net purchases	711,979	100		Net purchases	621,314	100	

Note: The chairperson of this company is a relative within the second degree of kinship of the Chairman of the Company.

Reasons for increase or decrease: The changes in cost, quality coordination and the Company's operating mode, and the changes are reasonable.

(V) Table of production volumes and values for the last two years:

Unit: NT\$thousand/ thousand kg

Year	2022			2023		
Sales volume and value Key products	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
	Rubber products	15,431	10,911	928,634	15,431	10,086
Others	125	32	23,432	125	23	16,586
Total	15,556	10,943	952,066	15,556	10,109	868,187

(VI) Table of sales volumes and values for the last two years:

Unit: NT\$thousand/ thousand kg

Year	2022				2023			
Sales volume and value Key products	Domestic sales		Exports		Domestic sales		Exports	
	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Rubber products	1,088	267,550	10,426	1,544,644	774	160,617	9,508	1,372,309
Others	30	19,245	11	14,516	15	17,462	4	7,768
Total	1,118	286,795	10,437	1,559,160	789	178,079	9,512	1,380,077

III. Employee data in the last two years and up to the date of printing of the annual report:

Item	Year	2022	2023	2024.3.30
Number of employees	R&D personnel	3	4	4
	Management and business personnel	24	25	24
	Indirect production personnel	18	21	22
	Direct production personnel	60	54	54
	Total	105	104	104
Average age		41.61	41.60	41.99
Average years of service		10.89	10.49	10.61
Education level distribution	PhD	0%	0%	0%
	Master's	8%	10%	10%
	University and college	38%	41%	41%
	High school	44%	40%	41%
	Below high school	10%	9%	8%

IV. Information on Environmental Protection Expenditure:

Losses suffered due to pollution of the environment (including compensation and environmental protection inspection results that violate environmental regulations, sanction date, sanction reference number, number of article violated, contents of legal provisions violated, and sanction content) in the past year and as of the date of printing of the annual report; also disclose the estimated amount that may occur at present and in the future and countermeasures. If a reasonable estimate cannot be made, explain the fact that no reasonable estimate can be made: None.

V.Labor relations

(I). The Company's various employee welfare measures, continuing education, training, retirement system and their implementation status, as well as labor-management agreements and various measures for protection of employee rights and interests:

1. Employee welfare measures and implementation status:
 - (1). Employees of the Company enjoy labor insurance and national health insurance from the date of arrival.
 - (2). The operation of the Company's various welfare measures is coordinated by the Welfare Committee. At present, all leave requests, working hours and other working conditions are handled in accordance with the provisions of the Labor Standards Act, and a number of welfare measures have been planned.
2. The current employee welfare, continuing education and training measures are as follows:
 - (1). Employee birthday gift certificate.
 - (2). Year-end bonus and employee remuneration.
 - (3). Staff travel activities and staff family day activities.
 - (4). Year-end party or spring feast.
 - (5). Subsidies to employees for their weddings, funerals and festivities at the Company's discretion.
 - (6). Labor insurance, national health insurance and group insurance for employees in accordance with law.
 - (7). Comprehensive pre-service and in-service training.
 - (8). Rights issue and employee stock options to employees.
 - (9). Children's schooling awards and grants.
 - (10). Annual health examination for employees.
 - (11). Further study and training
In order to comply with sustainable operation and cultivate excellent talents, the Human Resources Department is responsible for coordinating the planning of internal and external training for employees, in order to strengthen their professional abilities and skills, improve their work efficiency, and maximize their potential to achieve the business management rationalization goal.
In 2023, there was a total of 1004 persons who received training for new employees and various functional training, for totally 370 training hours.
3. Retirement system and implementation status:
 - (1). In accordance with the provisions of the Labor Standards Act, the Company has formulated a retirement method for defined benefits, which is applicable to the length of service of all regular employees before the implementation of the Labor Pension Act on July 1, 2005, and the length of service of employees who have chosen to continue

to apply the Labor Standards Act after the implementation of the Labor Pension Act. If an employee meets the retirement conditions, the payment of pension is calculated based on the length of service and the average salary of the 6 months before retirement. Two base points will be given for each full year of service within 15 years (inclusive), and one base point will be given for each full year of service beyond 15 years, but the maximum cumulative limit is 45 base points. The Company allocates 2% of the total salary to the pension fund on a monthly basis, and deposits it in the Trust Department of the Bank of Taiwan in a special account in the name of the Labor Retirement Reserve Supervision Committee.

- (2). The Company has formulated “Measures for the Retirement of Managers”, and sets aside a 4% pension provision from their total salary on a monthly basis. In 2023 and 2022, the net pension costs recognized in accordance with the above retirement measures were both NT\$31 thousand.
 - (3). On July 1, 2005, the Company formulated retirement measures for a defined allocation in accordance with the Labor Pension Act, which is applicable to employees of local nationality. For employees who choose to apply the labor pension system set forth in the “Labor Pension Act”, the Company will pay 6% of their salary to the individual account at the Labor Insurance Bureau every month, and the employee pension will be received by means of monthly or one-time pension payment according to the amount of the individual pension account and accumulated income. In 2023 and 2022, the pension costs recognized by the Company in accordance with the above retirement measures were NT\$2,060 thousand and NT\$2,180 thousand respectively.
4. Labor-management agreements and various measures for protection of employee rights and interests:

A harmonious labor-management relationship has always been one of the goals of the Company. The Company pays attention at all times to the welfare of employees, provides a good work environment, and emphasizes two-way communication with employees in order to maintain a harmonious labor-management relationship. So far, no losses have been caused by labor disputes, and the Company’s appeal channel is smooth to safeguard the rights and interests of employees.
 5. Code of employee conduct or ethics:

The Company has formulated the “Ethical Corporate Management Best Practice Principles”, “Code of Ethical Conduct” and relevant management measures, which are applicable to its directors, managers and employees. The main norms are to prohibit unethical acts, avoid opportunities for self-interest, prohibit bribery or accepting bribes, protect and properly use the Company’s assets, comply with laws and regulations, and encourage the reporting of any illegal conduct or violation of relevant regulations.

6. Work environment and personal safety protection measures for employees:

In view of the importance of work environment and personal safety protection measures for employees, the Company has obtained certification for ISO 14001 and ISO 45001 environmental and occupational safety and health management systems, and the Company continues to carry out major environmental inspections and occupational safety and health risk control according to the systems to ensure the safety and health of the employees' workplace.

(II) List the losses caused by labor disputes in the last year and up to the date of printing of the annual report (including violations of the Labor Standards Act according to labor inspection results, the date of punishment, the reference number of punishment, the provisions of the regulations violated, the content of the violation, and the content of the punishment), and disclose the estimated amounts that may be incurred at present and in the future and the countermeasures; if no reasonable estimates can be made, explain the reasons:

1. Sanction date: November 17, 2023
2. Sanction code: Lao Zhi Shou Zi No. 1120205384
3. Violation of legal provisions: Article 45, Article 57 Paragraph 1, and Article 58 Paragraph 1 Item 1 of the Occupational Health and Safety Facility Regulations; and Article 6 Paragraph 1 of the Occupational Safety and Health Act.
4. Contents of statutory violations: For workers operating cloth wrapping machines, there is a risk of harm from the winding end of the wrapping machine. Failure to halt the operations and feeding of relevant machinery, as well as for carcass rolling operating machinery with entanglement risks, lacking guards, barriers or safety doors with interlocking functions, poses a danger. Machinery operating with power, without obvious danger signals and lacking emergency braking devices installed at suitable locations to swiftly halt operations in emergencies, can lead to occupational accidents as stipulated in Article 37 Paragraph 2 Item 1 of the Occupational Safety and Health Act.
5. Sanction content: if an occupational accident specified in Paragraph 2 of Article 37 of the Occupational Safety and Health Act occurs in the workplace of the person being sanctioned, the name of the person being sanctioned and the name of the person in charge shall be announced.
6. Countermeasures:
 - (1) A guard is installed at the roll-in point of the cloth covering machine. When the guard door is opened, the machine will stop running.
 - (2) The take-up switch is changed to a foot-operated inching switch. When the foot is removed, the machine will stop running.
 - (3) The machine operation SOP has been

VI. Cybersecurity Management

- (I) Describe the security risk management framework, security policy, specific management plan, and resources put into cybersecurity management.

1. Infocomm Security Management Structure

In accordance with Article 3 of the “Guidelines for the Control of Cyber Security Management of TWSE and TPEX Listed Companies”, the Company established its “Infocomm Security Management Promotion Committee” as the functional organization of the Company's infocomm security governance and operational management mechanism, and uses the PDCA circular management method to ensure the achievement and improvement of the reliability goals of the infocomm security risk management structure.

- (1) The President approved the establishment of the Company's Infocomm Security Risk Management Committee.
- (2) Responsible for establishing the core management business, the core business system and system risk policies, processes and procedures.
- (3) Ensure that the infocomm security management policy is clearly communicated to employees at all levels.
- (4) Clearly indicate the responsibilities and hierarchical reporting relationship in risk management at all levels of management throughout the Company.
- (5) Responsible for supervising and assisting in the integration of information security planning and information security affairs.
- (6) Providing regular reports on the safety implementation of Infocomm for application by the Audit Committee.

2. Infocomm Security Policy

In order to ensure the smooth operation of the Company's business, prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information or information communication systems, and ensure their confidentiality, integrity and usability, the “Infocomm Security Management Promotion Committee” has formulated the following policy for all employees to follow:

- (1) In response to changes in the infocomm security threats, the Company's employees should participate in training related to infocomm security to enhance the overall awareness of infocomm security in the Company.
- (2) Protect the confidentiality and integrity of sensitive enterprise information and the infocomm system, in order to avoid unauthorized access and tampering.
- (3) Establish and publish various infocomm security management operations and measures, and regularly inspect and adjust according to the actual situation.
- (4) Regularly conduct internal audits to ensure that all professions are effectively implemented.

3. Specific Management Plans and Investment in Infocomm Security Management

- (1) According to the company's operating scale and information security risks, a total of 1 information security supervisor and 1 information security person will be set up.

- (2) Infocomm safety training for infocomm system operation staff is conducted once a year, and is expected to be completed in the third quarter.
- (3) Infocomm safety professional training for infocomm staff is conducted once a year, and is expected to be completed in the third quarter.
- (4) Vulnerability scanning is performed once a year, and high-risk weak points are 100% controlled within one month; it is expected to be completed in the fourth quarter.
- (5) Penetration testing is performed once a year, and high-risk weak points are 100% controlled within one month; it is expected to be completed in the fourth quarter.
- (6) Social engineering drills are conducted once a year, and is expected to be completed in the third quarter.
- (7) If it is known that an infocomm safety incident has occurred, the notification, response and restoration work shall be completed before the specified deadline.
- (8) The number of unfinished improvement items in the previous internal audit should be ≤ 2 .
- (9) The Company will prepare a budget every year to continuously evaluate and introduce infocom security technology solutions, in order to improve infocomm security management.
- (10) The Company will prepare a budget every year to continuously evaluate and introduce information security technology solutions to improve information security management and an investment of NT\$2 million is expected in 2024.

(II) In the last year and up to the date of printing of the annual report, the losses suffered due to major cybersecurity incidents, their possible impact and countermeasures; if no reasonable estimates can be made, explain the reasons: The Company has had no major cybersecurity incidents in the last year and up to the date of printing of the annual report.

VII. Important Contracts:

Contract nature	Contract counterparty	Contract date	Main contents	Restrictions
Bank mortgage loans	E.Sun Bank	2020/2/12~2029/7/15	Credit agreement	None

Six. Financial Status Overview

I. Condensed Financial Data of the Last Five Years:

(I) Condensed balance sheet and comprehensive income statement:

1. (1) Condensed Balance Sheet - IFRS-based: Individual

Unit: NT\$thousand

Item		Year	Financial data of the last five years (note 1)				
			2019	2020	2021	2022	2023
Current assets			1,560,105	1,694,719	2,468,382	2,137,597	2,268,213
Property, plant and equipment (note 1)			1,109,827	1,085,370	1,105,119	1,265,940	1,324,291
Intangible assets			6,755	6,462	5,295	3,638	1,654
Other assets			69,912	129,518	111,347	161,372	210,464
Total assets			2,746,599	2,916,069	3,690,143	3,568,547	3,804,622
Current liabilities	Before distribution		356,034	356,040	510,353	376,763	349,547
	After distribution		710,542	781,450	1,056,295	766,721	739,505
Non-current liabilities			41,477	34,918	34,055	188,962	366,482
Total liabilities	Before distribution		397,511	390,958	544,408	565,725	716,029
	After distribution		752,019	816,368	1,090,350	955,683	1,105,987
Equity attributable to owners of the parent company			-	-	-	-	-
Share capital			709,016	709,016	779,918	779,918	779,918
Capital surplus			234,426	235,248	241,826	248,381	254,929
Retained earnings	Before distribution		1,405,646	1,580,847	2,123,991	1,974,523	2,053,746
	After distribution		1,051,138	1,155,437	1,578,049	1,584,565	1,663,788
Other equity			-	-	-	-	-
Treasury shares			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		2,349,088	2,525,111	3,145,735	3,002,822	3,088,593
	After distribution		1,994,580	2,099,701	2,599,793	2,612,864	2,698,635

Note 1: Asset revaluation has not been handled in each year.

Note 2: As of the date of printing, the profit distribution plan for 2023 has been approved by the board meeting on February 22, 2024, but has not yet been approved by the shareholders' meeting.

Note 3: The Company has not been notified by the competent authority to self-correct or recompile the financial data listed above.

Note 4: There have been no subsidiaries since 2018, so it is not necessary to prepare consolidated financial statements.

2. (1) Condensed Comprehensive Income Statement - IFRS-based:
Individual

Unit: NT\$ thousand

Year \ Item	Financial data of the last five years (note 1)				
	2019	2020	2021	2022	2023
Operating income	1,658,837	1,596,510	1,937,193	1,845,955	1,558,156
Gross operating profit	608,209	664,702	816,312	841,907	659,292
Operating profit and loss	455,402	508,135	522,449	596,811	525,319
Non-operating income and expenses	45,110	110,383	542,893	(81,048)	58,002
Profit before tax	500,512	615,518	1,065,342	515,763	583,321
Tax expense	(100,988)	(94,822)	(96,948)	(123,792)	(114,136)
Profit (loss) in the period	399,524	523,696	968,394	391,971	469,185
Other comprehensive income in the period (net after tax)	(7,040)	6,013	160	4,503	(2)
Total comprehensive income in the period	392,484	529,709	968,554	396,474	469,183
Earnings per share	5.63	6.71	12.42	5.03	6.02

Note 1: The financial statements of each year have been audited and certified by CPAs.

Note 2: The Company has not been notified by the competent authority to self-correct or recompile the financial data listed above.

Note 3: There have been no subsidiaries since 2018, so it is not necessary to prepare consolidated financial statements.

(II) Names and audit opinions of the certifying CPAs for the last five years:

Year	Certifying CPA firm	Certifying CPA	Audit opinion
2019	PricewaterhouseCoopers Taiwan	Yang, Ming-Ching; Hung, Shu-Hua	Standard unqualified opinion
2020	PricewaterhouseCoopers Taiwan	Wu, Sung-Yuan; Hung, Shu-Hua	Standard unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Wu, Sung-Yuan; Hung, Shu-Hua	Standard unqualified opinion
2022	PricewaterhouseCoopers Taiwan	Wu, Sung-Yuan; Hung, Shu-Hua	Standard unqualified opinion
2023	PricewaterhouseCoopers Taiwan	Wu, Sung-Yuan; Hung, Shu-Hua	Standard unqualified opinion

II. Financial Information Analysis for the Past 5 Fiscal Years :

(1) Financial Analysis - IFRS-based: Individual

Item		Financial data of the last five years (note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Liabilities to asset ratio	14.47	13.41	14.75	15.85	18.82
	Ratio of long-term capital to property, plant and equipment	215.40	235.87	287.73	252.13	260.90
Solvency %	Current ratio	438.19	475.99	483.66	567.36	648.90
	Quick ratio	350.98	387.76	411.73	499	586.42
	Times interest earned	1599079.87	8965.03	10051.40	2047.68	350.71
Operating capacity	Receivables turnover ratio (times)	6.29	7.05	8.70	8.84	8.34
	Average cash collection days	58.02	51.77	41.95	41.28	43.76
	Inventory turnover ratio (times)	3.45	3.19	3.74	3.57	3.85
	Payables turnover ratio (times)	6.07	5.71	6.16	5.71	8.14
	Average sales days	105.79	114.42	97.59	102.24	94.80
	Property, plant and equipment turnover ratio (times)	1.49	1.46	1.77	1.56	1.20
	Total asset turnover ratio (times)	0.61	0.56	0.58	0.50	0.42
Profitability	Return on assets (%)	14.85	18.50	29.32	10.81	12.76
	Return on equity (%)	17.21	21.49	34.15	12.75	15.40
	Ratio of profit before tax to paid-in capital (%)	70.59	87.24	136.60	66.13	74.79
	Net profit margin (%)	24.08	32.80	49.99	21.23	30.11
	Earnings per share (NT\$)	5.63	6.71	12.42	5.03	6.02
Cash flow	Cash flow ratio (%)	172.94	118.64	95.37	218.77	128.70
	Cash flow adequacy ratio (%)	99.86	90.64	89.39	102.16	96.83
	Cash reinvestment ratio (%)	7.89	1.87	3.08	6.36	1.27
Leverage	Operating leverage	1.20	1.18	1.18	1.14	1.16
	Financial leverage	1.00	1.00	1.00	1.00	1.00

Reasons for changes in various financial ratios in the past two years: (If the increase or decrease does not reach 20%, the analysis is not required).

1. Debt service coverage ratio: mainly due to the increase in interest expenses due to the increase in borrowing amount in 2023, the debt service coverage ratio decreased by 82% compared with 2022.
2. Payables turnover rate (times): mainly due to the decrease in revenue in 2023, which resulted in a relative decrease in the cost of goods sold and the average balance of payables, resulting in a 42% increase in the payables turnover rate compared to 2022.
3. Turnover rate of property, plant and equipment: mainly due to the decrease in revenue in 2023, the turnover rate of property, plant and equipment decreased by 22% compared with 2022.
4. Return on equity and net profit rate: Mainly due to the increase in after-tax net profit in 2023, return on equity and net profit rate increased by 20% and 41%, respectively, compared with 2022.
5. Cash flow adequacy ratio: Mainly due to the decrease in net cash flow from operating activities in 2023, the cash flow adequacy ratio decreased by 41% compared with 2022.
6. Cash re-investment ratio: mainly due to the decrease in net cash flow from operating activities in 2023, the cash reinvestment ratio decreased by 80% compared with 2022.

Note 1: The financial statements of each year have been audited and certified by CPAs.

Note 2: There have been no subsidiaries since 2018, so it is not necessary to prepare consolidated financial statements.

Note 3:

1. Financial structure
 - (1) Liabilities to asset ratio = total liabilities / total assets.
 - (2) Ratio of long-term funds to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Times interest earned = net profit before income tax and interest expense / interest expense in the period.
3. Operating capacity
 - (1) Receivables turnover ratio (including accounts receivable and notes receivable arising from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) in each period.
 - (2) Average cash collection days = 365 / receivables turnover rate.
 - (3) Inventory turnover ratio = cost of goods sold / average inventory.
 - (4) Payables turnover ratio (including accounts payable and notes payable arising from operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from operations) in each period.
 - (5) Average sales days = 365 / inventory turnover ratio.
 - (6) Property, plant and equipment turnover ratio = net sales / average net property, plant and equipment.
 - (7) Total asset turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on equity = after-tax profit and loss / average total equity.
 - (3) Net profit margin = after-tax profit and loss / net sales.
 - (4) Earnings per share = (profit and loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares issued.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + increase in inventory + cash dividends) in the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit - interest expense).

III. Audit Report of the Audit Committee on the Latest Annual Financial Report:

Audit Committee's Audit Report

The board meeting has submitted the Company's business report for 2023 and the financial report audited and certified by CPAs Wu, Sung-Yuan and Hung, Shu-Hua of PricewaterhouseCoopers Taiwan. The Audit Committee has reviewed them and found no discrepancies. Therefore, the Audit Report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review and approval.

Hsin Yung Chien Co., Ltd.

Convener of the Audit Committee: Lin, Chin-An

February 22, 2024

- IV. Latest Annual Financial Report: Please refer to pages 135 to 195.**
- V. The individual financial report of the Company audited and certified by CPAs for the last year (excluding the details of important accounting items): Please refer to pages 135 to 195.**
- VI. If the Company and its affiliated enterprises have financial turnover difficulties in the last year and up to the date of printing of the annual report, the impact on the financial situation of the Company shall be listed: None.**

Seven. Review and Analysis of the Financial Situation and Financial Performance and Risks

I. Financial Position:

Unit: NT\$thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	2,137,597	2,268,213	130,616	6.11
Property, plant and equipment (note 2)	1,265,940	1,324,291	58,351	4.61
Intangible assets	3,638	1,654	(1,984)	(54.54)
Other assets	161,372	210,464	49,092	30.42
Total assets	3,568,547	3,804,622	236,075	6.62
Current liabilities	376,763	349,547	(27,216)	(7.22)
Non-current liabilities	188,962	366,482	177,520	93.94
Total liabilities	565,725	716,029	150,304	26.57
Share capital	779,918	779,918	0	0.00
Capital surplus	248,381	254,929	6,548	2.64
Retained earnings	1,974,523	2,053,746	79,223	4.01
Other equity	0	0	0	0
Total equity	3,002,822	3,088,593	85,771	2.86
<p>Change analysis: (the change amount reaches NT\$10 million and the increase or decrease reaches 20%)</p> <p>1. Other assets: mainly due to the increase in pre-paid equipment and project payments in 2023, other assets increased by 30.42% compared with 2022.</p> <p>2. Non-current liabilities and total liabilities: mainly due to the increase in long-term borrowings in 2023, non-current liabilities and total liabilities increased by 93.94% and 26.57% respectively compared with 2022.</p>				

II. Financial Performance:

Unit: NT\$thousand

Item \ Year	2022	2023	Amount of increase (decrease)	Change ratio (%)
Operating revenue	1,845,955	1,558,156	(287,799)	(15.59)
Operating costs	1,004,048	898,864	(105,184)	(10.48)
Net operating margin	841,907	659,292	(182,615)	(21.69)
Operating expenses	245,096	133,973	(111,123)	(45.34)
Operating profit	596,811	525,319	(71,492)	(11.98)
Non-operating income (expenses)	(81,048)	58,002	139,050	171.56
Profit before income tax	515,763	583,321	67,558	13.10
Income tax expense	(123,792)	(114,136)	(9,656)	(7.80)
Profit for the year	391,971	469,185	77,214	19.70
Other comprehensive income for the year	4,503	(2)	(4,505)	(100.04)
Total comprehensive income for the year	396,474	469,183	(72,709)	18.34
<p>1. Change analysis: (the change amount reaches NT\$10 million and the increase or reaches 20%)</p> <p>Gross profit: A decrease of 21.69% in 2023 compared with 2022, mainly due to the decrease in revenue, resulted in a relative decrease in gross profit.</p> <p>Operating expenses: A decrease of 45.34% in 2023 compared with 2022, mainly due to the decrease in revenue and the sharp drop in export maritime transport prices, resulting in a decrease in operating expenses.</p> <p>Non-operating income and expenses: An increase of 171.56% in 2023 compared with 2022, mainly due to the fact that there is no impact of non-operating investment losses in 2023, resulting in an increase in the amount of non-operating income and expenses.</p> <p>2. Expected sales volume and its basis, potential impact on the Company's future finance and business, and corresponding plans:</p> <p>The sales volume is determined based on market demand and development trends, customer operation status, and the Company's current order taking situation, and with reference to the Company's production capacity and scale. In addition, considering the significant impact of inflation, interest rate hikes and the Ukraine-Russian war on the external political and economic situation in 2024, the expected sales volume target is 10,000 thousand kilograms.</p>				

III. Cash Flow Analysis

(I) Liquidity analysis in the last two years:

Item \ Year	2022	2023	Increase (decrease)%
Cash flow ratio	218.77%	128.70%	(41.17%)
Cash flow adequacy ratio	102.16%	96.83%	(5.22%)
Cash reinvestment ratio	6.36%	1.27%	(80.03%)

Analysis and description of increase and decrease ratio changes:

1. Cash flow adequacy ratio: Mainly due to the decrease in net cash flows from operating activities in 2023, the cash flow adequacy ratio decreased compared with 2022.
2. Cash reinvestment ratio: Mainly due to the decrease in net cash flow from operating activities in 2023, the cash

(II) Cash liquidity analysis for the next year

Unit: NT\$thousand

Opening cash balance	Estimated annual net cash flow from operating activities	Estimated annual net cash flow due to investing and financing activities	Estimated annual cash surplus (shortage)	Remedial measures for estimated annual cash surplus (shortage)	
				Investment plan	Wealth management plan
723,078	420,000	(600,000)	543,078	-	-

1. Analysis of changes in cash flows this year:
 - (1) Operating activities: Mainly due to the net cash income expected to be generated in future years under the proper control of revenue and raw materials.
 - (2) Investing activities: The payment for the purchase of additional machinery and equipment and the construction of factory buildings resulted in a net cash outflow from investment activities.
 - (3) Financing activities: Mainly due to the expected distribution of cash dividends, resulting in a net cash outflow from financing activities.
2. Remedial measures and liquidity analysis of estimated cash shortage: There is no cash shortage.

IV. Impact of Major Capital Expenditure in the Last Year on Finance and Business

In order to develop new products and improve the functions of production equipment, the Company successively invested in the purchase of additional equipment and the replacement of old equipment for new equipment in 2023. The total price of the

contracted purchase of equipment and project funds by the end of 2023 was NT\$153,069 thousand, which will be paid with the Company's own funds and medium and long-term loans. This equipment investment can effectively expand product lines and improve product quality and competitiveness, so it has a positive impact on the Company's finance and business in the long term.

V. Reinvestment Policy in the Last Year, Main Reasons for Profit or Loss, Improvement Plan and Investment Plan for the Next Year:

- (I) Reinvestment policy in the last year and main reasons for its profit or loss: None.
- (II) Investment plan for the following year: in 2020, the Company started rebuilding the original one-story building of the fourth factory into a six-story steel structure building as a thermoplastic composite production base. The construction was completed in 2023, and production lines were to be built one after another according to the progress of product development and order receipt.

VI. Risks:

- (I) Risk factors: The impact of changes in interest rates and exchange rates and inflation on the Company's profit and loss and future countermeasures:

- (1) Impact of interest rate changes and future countermeasures:

The risk of interest rate changes mainly comes from long-term and short-term borrowings. According to the current domestic economic development trend, the low interest rate policy has not changed significantly, and the Company has no borrowings at present, so the fluctuation of interest rates should not have a significant impact on the Company.

- (2) Impact of changes in interest rates and exchange rates on the Company's profit and loss and future countermeasures:

Unit: NT\$1,000

Item \ Year	2023	
	Amount	Ratio (%)
Domestic sales	178,079	11.43
Exports	1,380,077	88.57
Total	1,558,156	100.00

The Company's export sales accounted for 88.57% of the total in 2023, with a net exchange gain of NT\$8,016 thousand. This was mainly due to the continuous interest rate increase of the US dollar and the significant increase in the exchange rate of the US dollar in 2023. The Company sells goods mostly in US dollars, Euros and Japanese yen, which are beneficial for exports. Therefore, the exchange rate change generated a net profit throughout the year.

Exchange gains and losses in the last year are as follows:

Year	Item	2022	2023
	Net exchange gain (loss)	55,197	8,016
	Net operating income	1,845,955	1,558,156
	Net operating profit	596,811	525,319
	Net exchange gain (loss) / net operating income (%)	2.99%	0.51%
	Net exchange gain (loss) / net operating profit (%)	9.25%	1.52%

In order to effectively respond to exchange rate fluctuation, in addition to actively collecting exchange rate change information to understand the exchange rates, the Company has taken the following specific measures to reduce the impact of exchange rate changes:

- A. Collecting exchange rate change information provided by banks with business dealings, keeping abreast of exchange rate trends, and adjusting the position of the Company's net assets or liabilities in foreign currency with hedging instruments such as foreign exchange forward contracts to reduce the risk of exchange rate changes.
- B. Providing exchange rate information for the reference of the marketing unit, in order to consider the price adjustments caused by exchange rate changes when quoting to customers, so as to ensure the Company's profit.

(3) Impact of inflation and future countermeasures:

Faced with the uncertainty of the global economic outlook, the Company is unable to predict whether there will be any significant changes in inflation or deflation in the future. Our products are consumables and their application fields are distributed in the mining, coal, electricity, cement, gravel, shipping, logistics, animal husbandry, construction, and consumer product industries. They are moderately to highly correlated with raw material prices, market demand, and inflation or deflation. Therefore, inflation will have a certain impact on our sales results, but will not have a significant adverse impact on overall operations.

- (II) The policy for engaging in high-risk and high-leverage investments, capital lending to others, endorsements and guarantees, and derivative trading, the main reasons for profit or loss, and future countermeasures:

The Company did not engage in high-risk or high-leverage investments in 2023. The following is a description of the policy, profit and loss situation and future countermeasures of capital lending to others, endorsements and guarantees, and foreign exchange hedging:

- (1) Capital lending to others:
As of December 31, 2023, the Company has not lent funds to others.
 - (2) Endorsements and guarantees:
As of December 31, 2023, the Company has not provided endorsements and guarantees to others.
 - (3) Derivative financial products:
As of December 31, 2023, the Company has not engaged in derivative financial product trading.
- (III) Future R&D plans and expected R&D costs:
In addition to continuing in-depth research on the raw materials, structures and manufacturing processes of products, the Company's recent R&D direction for rubber products has mainly been to cooperate with customers to jointly develop special rubber products, create products with higher added value, and meet customers' requirements for the convenience of one-time purchases. The Company is also active in developing composite material products applied to the electronics, automobile, 3C and other industries related to the people's livelihood, and uses thermoplastic plates that can be reprocessed, and environment-friendly and recyclable materials that meet the lightweight/high-strength/special physical property requirements and are bright and novel/high-quality, and simplifies production and integrates the processing of application products with a long life cycle. Therefore, the Company will continue investing R&D costs every year in the future, and estimates to invest about NT\$20 million in R&D in 2024.
- (IV) The impact of major changes in domestic and foreign policies and laws on the Company's finance and business and countermeasures:
The management of the Company pays attention to changes in important policies and laws at home and abroad at any time, and puts forward corresponding measures accordingly.
- (V) The impact of technological changes (including cybersecurity risks) and industrial changes on the Company's finance and business and countermeasures:
The Company is in the rubber manufacturing industry, mainly producing rubber conveyor belts and rubber plates. The industry is stable, and the industrial boom cycle is not obvious. Therefore, technological changes and industrial changes have no significant impact on the Company's financial business.
The Company formulates its cybersecurity policy with the spirit of the information security management system, lists the implementation of various cybersecurity measures and strengthens the audit management. Strengthen information security management, ensure the availability, integrity and confidentiality of the information system, and avoid being threatened by internal and external intentional or accidental threats.
- (VI) The impact of corporate image changes on corporate crisis management and countermeasures:
The Company's long-term business philosophy is based on ethics and the Company

has a deep foundation of mutual trust for both upstream suppliers and downstream customers. Therefore, the Company has not had changes in its corporate image so far and in the foreseeable future which cause a crisis for the enterprise.

(VII) The expected benefits and possible risks of mergers, acquisitions and countermeasures:

The Company has had no plans for mergers and acquisitions in the most recent year and as of the date of publication of the prospectus, so it is not applicable.

(VIII) The expected benefits and possible risks of plant expansion and countermeasures:

In 2020, the Company started rebuilding the original one-story building of the fourth factory into a six-story steel structure building as a thermoplastic composite production base. The construction was completed in 2023, and production lines were to be built one after another according to the progress of product development and order receipt. It can look forward to bringing revenue growth to the Company and achieving greater success in the future.

(IX) Risks faced by purchase or sales concentration and countermeasures:

From the data of customer sales accounting for more than 10% of the total sales volume and the data of supplier purchases accounting for more than 10% of the total purchase volume in the past two years, it can be found that there is no main sales and purchase objects accounting for more than 50%, and there is no risk of purchase or sales concentration.

(X) The impact and risks of transfers or replacements of a substantial volume of shares by directors, supervisors or major shareholders holding more than 10% of the shares of the Company and countermeasures: None.

(XI) The impact and risks of changes of management right on the Company and countermeasures: No such situation.

(XII) For litigation or non-litigation events, list major litigation, non-litigation or administrative disputes that have been determined by judgment or are still under investigation for the Company and its directors, supervisors, president, substantive responsible person, major shareholders with a shareholding ratio of more than 10% and affiliated companies, and the results of which may have a significant impact on shareholders' equity or securities prices: No such situation.

(XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.

Eight. Special Notes

I. Affiliated Enterprises

(I). Consolidated business report of affiliated enterprises

1. Organization chart of affiliated enterprises:
 - (1) Organization chart of affiliated enterprises:

Hsin Yung Chien Co.,Ltd

- (2) Companies that are presumed to have a controlling and subordinate relationship in accordance with Article 369-3 of the Company Act, and controlling subsidiary companies in accordance with Article 369-2 of the Company Act: None.
 - (3) Subordinate companies of which the Company directly or indirectly controls the personnel, finance or business operations in accordance with paragraph 2 of Article 369-2 of the Company Act: None.
2. Basic information of affiliated enterprises: None.
3. The industries covered by the businesses of all affiliated enterprises
The businesses of the Company and its affiliated enterprises cover manufacturing, processing and trading of various rubber products such as rubber conveyor belts, rubber plates, and oil-resistant, fire-resistant and heat-resistant rubber products, etc., as well as various investment businesses and the wholesale and import businesses of tire belts.
4. Data of the same shareholders presumed to have control and subordination relationship: None.
5. Data of directors, supervisors and presidents of all affiliated enterprises: None.
6. Operation profile of affiliated enterprises: None.

(II). Consolidated financial statements of affiliated enterprises: Not applicable.

(III). Relationship report: Not applicable.

- II. Private placement of securities in the last year and up to the date of printing of the annual report:** No such situation.
- III. The holding or disposal of the Company's shares by subsidiaries in the last year and up to the date of printing of the annual report:** No such situation.
- IV. Other necessary supplementary explanations:** None.

Nine. In the last year and up to the date of printing of the annual report, if there are any of the events specified in Article 36, paragraph 2, subparagraph 2 of the Act that have a significant impact on shareholders' equity or securities prices, state them one by one: None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 23003336

To the Board of Directors and Shareholders of Hsin Yung Chien Co., Ltd. :

Opinion

We have audited the accompanying individual balance sheets of Hsin Yung Chien Co., Ltd. (the "Company") as at December 31, 2023 and 2022, and the related individual statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2023 individual financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 individual financial statements are stated as follows:

1. Timing of sales revenue recognition

Description

Refer to Note 4(25) for accounting policies on sales revenue and Note 6(17) for details of sales revenue. The Company is primarily engaged in manufacturing, processing, and sales of various types of rubber products. Sales revenues are recognised when the control of goods is transferred upon the goods arriving at the destination port in accordance with the contract terms. At the end of the month, manually check whether the transaction date is consistent with the actual arrival date, and the revenue is recognised. The process of revenue recognition involves numerous manual judgement and procedures, which may result in improper timing of sales revenue recognition, thus we consider the cut-off of sales revenue as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

- A. Obtained an understanding and assessed the process of sales transactions and internal controls, and then tested these controls to assess the effectiveness of sales revenue recognition timing determined by management.
- B. Checked transaction documents to ensure that the sales transaction for a certain period before and after the balance sheet date is recorded in the proper time.

2. Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses. As of December 31, 2023, the Company's inventories and allowance for inventory valuation losses amounted to \$213,433 thousand and \$16,683 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of various types of rubber products. For inventory that is over a certain age and individually identified for impairment, the impairment is measured at the lower of cost and net realisable value, and provides allowance for inventory valuation losses based on individually identified reasonable net realisable value and usable condition of obsolete or slow-moving inventories. Considered the Company's allowance for inventory valuation losses were material to its financial statements, and the determination of the net realisable value at balance sheet date involved judgements and estimates, we identified the allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Company's operation and the characteristics of its industry.
- B. Reviewed the Company's annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.

- C. Obtained valuation statement of net realisable value of inventory, assessed whether the estimation policy was consistently applied, tested the estimation basis of the net realisable value with relevant information, including verifying the sales and purchase prices with supporting evidence, and recalculated and evaluated the reasonableness of the inventory valuation.
- D. Obtained the Company's inventory aging report and verified dates of movements with supporting documents. Ensured the proper categorisation of inventory aging report and recalculated inventory aging range to confirm that the report information was consistent with its policies.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- A. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Wu, Sung-Yuan

Hung, Shu-Hua

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

The accompanying individual financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying individual financial statements and independent auditors' report 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, PricewaterhouseCoopers 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.

HSIN YUNG CHIEN CO., LTD.
INDIVIDUAL BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 723,078	19	\$ 1,185,269	33
1136	Current financial assets at amortised cost, net	6(3) and 8	1,112,778	30	529,225	15
1150	Notes receivable, net	6(4)	8,896	-	8,529	-
1170	Accounts receivable, net	6(4)	198,496	5	150,568	4
1200	Other receivables		6,553	-	6,447	-
130X	Inventories	6(5)	196,750	5	237,345	7
1470	Other current assets	6(6)	21,662	1	20,214	1
11XX	Current Assets		<u>2,268,213</u>	<u>60</u>	<u>2,137,597</u>	<u>60</u>
Non-current assets						
1600	Property, plant and equipment	6(7) and 8	1,324,291	35	1,265,940	35
1780	Intangible assets		1,654	-	3,638	-
1840	Deferred income tax assets	6(23)	20,819	-	23,527	1
1900	Other non-current assets	6(8)(12)	189,645	5	137,845	4
15XX	Non-current assets		<u>1,536,409</u>	<u>40</u>	<u>1,430,950</u>	<u>40</u>
1XXX	Total assets		<u>\$ 3,804,622</u>	<u>100</u>	<u>\$ 3,568,547</u>	<u>100</u>

(Continued)

HSIN YUNG CHIEN CO., LTD.
INDIVIDUAL BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Current contract liabilities	6(17)	\$ 17,055	1	\$ 47,104	1
2150	Notes payable		15,350	-	29,916	1
2160	Notes payable - related parties	7(2)	46,765	1	54,846	2
2170	Accounts payable		17,823	1	24,579	1
2180	Accounts payable - related parties	7(2)	16,486	-	15,028	1
2200	Other payables	6(9)	101,862	3	77,973	2
2230	Current income tax liabilities	6(23)	48,825	1	78,757	2
2250	Provisions for liabilities - current	6(10)	7,447	-	3,227	-
2320	Long-term liabilities, current portion	6(11)	76,786	2	44,333	1
2399	Other current liabilities, others	6(17)	1,148	-	1,000	-
21XX	Current Liabilities		<u>349,547</u>	<u>9</u>	<u>376,763</u>	<u>11</u>
Non-current liabilities						
2540	Non-current portion of non-current borrowings	6(11)	335,595	9	155,667	4
2570	Deferred income tax liabilities	6(23)	30,787	1	33,195	1
2600	Other non-current liabilities		100	-	100	-
25XX	Non-current liabilities		<u>366,482</u>	<u>10</u>	<u>188,962</u>	<u>5</u>
2XXX	Total Liabilities		<u>716,029</u>	<u>19</u>	<u>565,725</u>	<u>16</u>
Equity						
Equity attributable to owners of parent						
	Share capital	6(14)				
3110	Share capital - common stock		779,918	20	779,918	22
	Capital surplus	6(15)				
3200	Capital surplus		254,929	7	248,381	6
	Retained earnings	6(16)				
3310	Legal reserve		696,315	18	656,668	19
3350	Unappropriated retained earnings		1,357,431	36	1,317,855	37
3XXX	Total equity		<u>3,088,593</u>	<u>81</u>	<u>3,002,822</u>	<u>84</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		<u>\$ 3,804,622</u>	<u>100</u>	<u>\$ 3,568,547</u>	<u>100</u>

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

HSIN YUNG CHIEN CO., LTD.
INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 1,558,156	100	\$ 1,845,955	100
5000	Operating costs	6(5)(21)(22) and 7(2)	(898,864)	(58)	(1,004,048)	(55)
5900	Net operating margin		<u>659,292</u>	<u>42</u>	<u>841,907</u>	<u>45</u>
	Operating expenses	6(21)(22)				
6100	Selling expenses		(69,097)	(5)	(193,512)	(11)
6200	General and administrative expenses		(46,329)	(3)	(44,827)	(2)
6300	Research and development expenses		(18,547)	(1)	(7,757)	-
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	-	-	<u>1,000</u>	<u>-</u>
6000	Total operating expenses		(<u>133,973</u>)	(<u>9</u>)	(<u>245,096</u>)	(<u>13</u>)
6900	Operating profit		<u>525,319</u>	<u>33</u>	<u>596,811</u>	<u>32</u>
	Non-operating income and expenses					
7100	Interest income	6(18)	24,643	2	9,971	1
7010	Other income	6(19)	27,087	2	71,841	4
7020	Other gains and losses	6(20)	7,940	-	(162,608)	(9)
7050	Finance costs		(1,668)	-	(252)	-
7000	Total non-operating income and expenses		<u>58,002</u>	<u>4</u>	(<u>81,048</u>)	(<u>4</u>)
7900	Profit before income tax		<u>583,321</u>	<u>37</u>	<u>515,763</u>	<u>28</u>
7950	Income tax expense	6(23)	(114,136)	(7)	(123,792)	(7)
8200	Profit for the year		<u>\$ 469,185</u>	<u>30</u>	<u>\$ 391,971</u>	<u>21</u>
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)(23)	(\$ 3)	-	\$ 5,629	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		<u>1</u>	-	(<u>1,126</u>)	<u>-</u>
8300	Total other comprehensive income for the year		(<u>\$ 2</u>)	-	<u>\$ 4,503</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 469,183</u>	<u>30</u>	<u>\$ 396,474</u>	<u>21</u>
	Basic earnings per share	6(24)				
9750	Total basic earnings per share		<u>\$ 6.02</u>		<u>\$ 5.03</u>	
	Diluted earnings per share	6(24)				
9850	Total diluted earnings per share		<u>\$ 5.99</u>		<u>\$ 5.00</u>	

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

HSIN YUNG CHIEN CO.,LTD.
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings		Total equity
				Legal reserve	Unappropriated retained earnings	
Year ended December 31, 2022						
Balance at January 1, 2022		\$ 779,918	\$ 241,826	\$ 559,813	\$ 1,564,178	\$ 3,145,735
Profit for the year		-	-	-	391,971	391,971
Other comprehensive income for the year		-	-	-	4,503	4,503
Total comprehensive income		-	-	-	396,474	396,474
Appropriation and distribution of 2021 earnings:	6(16)					
Legal reserve appropriated		-	-	96,855	(96,855)	-
Cash dividends of ordinary share		-	-	-	(545,942)	(545,942)
Ddividends not received by shareholders	6(15)	-	170	-	-	170
Share-based payments	6(13)(15)	-	6,385	-	-	6,385
Balance at December 31, 2022		\$ 779,918	\$ 248,381	\$ 656,668	\$ 1,317,855	\$ 3,002,822
Year ended December 31, 2023						
Balance at January 1, 2023		\$ 779,918	\$ 248,381	\$ 656,668	\$ 1,317,855	\$ 3,002,822
Profit for the year		-	-	-	469,185	469,185
Other comprehensive income for the year		-	-	-	2	2
Total comprehensive income		-	-	-	469,183	469,183
Appropriation and distribution of 2022 earnings:	6(16)					
Legal reserve appropriated		-	-	39,647	(39,647)	-
Cash dividends of ordinary share		-	-	-	(389,960)	(389,960)
Ddividends not received by shareholders	6(15)	-	163	-	-	163
Share-based payments	6(13)(15)	-	6,385	-	-	6,385
Balance at December 31, 2023		\$ 779,918	\$ 254,929	\$ 696,315	\$ 1,357,431	\$ 3,088,593

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

HSIN YUNG CHIEN CO.,LTD.
INDIVIDUAL STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 583,321	\$ 515,763
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(21)	74,040	78,159
Amortization expense	6(21)	10,694	6,021
Reversal of provision for bad debt expense	12(2)	-	(1,000)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(20)	-	257,800
(Gain) loss on disposal of property and equipment	6(20)	76	(39,995)
Interest income	6(18)	(24,643)	(9,971)
Dividend income	6(19)	-	(65,259)
Interest expense		1,668	252
Share-based payments	6(13)(15)	6,385	6,385
Unrealized foreign exchange (gain) loss		(13,091)	(28,161)
Provision for sales returns and discounts	6(5)(10)	4,220	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(367)	6,350
Accounts receivable, net		(66,090)	134,870
Other receivables		(106)	22,630
Inventories		40,595	61,013
Other current assets		(1,522)	48,561
Changes in operating liabilities			
Contract liabilities		(5,093)	10,135
Notes payable		(14,566)	(78,903)
Notes payable - related parties		(8,081)	4,139
Accounts payable		(6,945)	(27,067)
Accounts payable - related parties		1,458	(876)
Other payables		(10,840)	(51,991)
Other current liabilities		147	(5,112)
Net defined benefit liability		(707)	(654)
Cash inflow generated from operations		570,553	843,089
Interest received	6(18)	24,643	9,971
Dividends received	6(19)	-	65,259
Interest paid		(1,560)	(212)
Income taxes paid		(143,768)	(93,875)
Net cash flows from operating activities		<u>449,868</u>	<u>824,232</u>

(Continued)

HSIN YUNG CHIEN CO.,LTD.
INDIVIDUAL STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 658,709)	(\$ 524,080)
Proceeds from repayments of financial assets at amortised cost		77,671	46,681
Acquisition of financial assets at fair value through profit or loss		-	(30,307)
Proceeds from disposal of financial assets at fair value through profit or loss	6(2)	-	859,036
Acquisition of property and equipment	6(25)	(153,069)	(359,933)
Proceeds from disposal of property, plant and equipment		371	110,829
Decrease in refundable deposits	6(8)	3,321	9,256
Acquisition of intangible assets		(243)	(960)
Increase in other operating assets		(7,337)	(3,986)
Net cash flows (used in) from investing activities		(737,995)	106,536
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term debt	6(25)	261,000	200,000
Repayments of long-term borrowings	6(25)	(48,619)	-
Cash dividends paid	6(16)	(389,960)	(545,942)
Ddividends not received by shareholders	6(15)	163	170
Net cash flows used in financing activities		(177,416)	(345,772)
Effect of exchange rate changes on cash and cash equivalents		3,352	13,083
Net (decrease) increase in cash and cash equivalents		(462,191)	598,079
Cash and cash equivalents at beginning of year		1,185,269	587,190
Cash and cash equivalents at end of year		\$ 723,078	\$ 1,185,269

The accompanying notes are an integral part of these individual financial statements

HSIN YUNG CHIEN CO.,LTD.
NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

Hsin Yung Chien Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in August 1969. The Company was formerly named as HSIN YUNG CHIEN CO., LTD. and changed its name to HSIN YUNG CHIEN CO., LTD. in 2003. The Company is primarily engaged in manufacturing, processing and sales of rubber conveyor belt, rubber sheet, oil resistant, acid resistant, heat resistant packer elements and other rubber products. The Company’s stocks have been approved and listed on the Taipei Exchange since September 28, 2006 and transferred to list in the Taiwan Stock Exchange starting from December 29, 2010 after approval.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on February 22, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

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

	Effective date by International Accounting Standards Board
<u>New Standards, Interpretations and Amendments</u>	
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs Accounting Standards as endorsed by the FSC are as follows:

	Effective date by International Accounting Standards Board
<u>New Standards, Interpretations and Amendments</u>	
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in NTD, which is the Company's functional currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the direct method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~51 years
Machinery and equipment	1~15 year(s)
Transportation equipment	5 years
Office equipment	2~12 years
Other equipment	1~15 year(s)

(13) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 8 years.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(15) Borrowings

Borrowings comprise long-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Accounts and notes payable

- A. Notes payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(19) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the amounts resolved by the shareholders and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. If the deferred tax arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

Sales of goods:

- A. The Company manufactures and sells conveyor belt related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The Company's obligation to provide a refund for sales of faulty products is recognised as a provision.
- C. Sales contracts contain the terms for advance sales receipts. The contract liabilities are recognised as revenue when control of the products has transferred to the customer.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Assumptions and Key Sources of Estimation Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$196,750 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 636	\$ 571
Checking accounts	22,495	29,386
Demand deposits	205,237	165,135
Time deposits	494,710	970,156
Notes issued under repurchase agreement	<u>-</u>	<u>20,021</u>
	<u>\$ 723,078</u>	<u>\$ 1,185,269</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Cash and cash equivalents amounting to \$258 as engineering bond, were classified as financial assets at amortised cost. Relevant information is provided in Note 8.

C. The Company's time deposits that did not meet short-term cash commitments were classified as financial assets at amortised cost. Relevant information is provided in Note 6(3).

(2) Financial assets at fair value through profit or loss

A. The Company recognised net loss and net profit on financial assets measured at fair value through profit or loss amounting to net profit of \$0 thousand and net loss of \$578,343 thousand for the years ended December 31, 2023 and 2022, respectively.

B. As of December 31, 2022, the Company sold financial assets at fair value through profit or loss. The fair value at the time of disposal was \$859,036 thousand, and the cumulative gain on disposal was \$320,543 thousand.

C. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.

(3) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits maturing in excess of three months	\$ 1,112,520	\$ 528,412
Restricted time deposits	<u>258</u>	<u>813</u>
	<u>\$ 1,112,778</u>	<u>\$ 529,225</u>

A. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$1,112,778 thousand and \$529,225 thousand, respectively.

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 8,896</u>	<u>\$ 8,529</u>
Accounts receivable	\$ 202,071	\$ 154,143
Less: Allowance for bad debts	<u>(3,575)</u>	<u>(3,575)</u>
	<u>\$ 198,496</u>	<u>\$ 150,568</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 196,362	\$ 8,896	\$ 135,594	\$ 8,529
Up to 30 days	4,727	-	8,986	-
31 to 90 days	415	-	8,694	-
91 to 180 days	567	-	517	-
Over 180 days	<u>-</u>	<u>-</u>	<u>352</u>	<u>-</u>
	<u>\$ 202,071</u>	<u>\$ 8,896</u>	<u>\$ 154,143</u>	<u>\$ 8,529</u>

The above ageing analysis was based on past due date.

- B. The Company signed a credit right sales contract relating to accounts receivable without recourse with CHANG HWA COMMERCIAL BANK, LTD. and MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. As of December 31, 2023 and 2022, the estimated amount of accounts receivable factoring (which was classified as financial assets at fair value through other comprehensive income) both amounted to \$0 thousand.
- C. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of accounts receivable and notes receivable from contracts with customers amounted to \$235,576 thousand and \$14,879 thousand, respectively.
- D. As of December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was \$8,896 thousand and \$8,529 thousand ; \$198,496 thousand and \$150,568 thousand, respectively.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2023</u>		
		Allowance for obsolescence and	
	<u>Cost</u>	<u>market value decline</u>	<u>Book value</u>
Raw materials	\$ 65,506	(\$ 5,133)	\$ 60,373
Work in progress	18,066	(2,943)	15,123
Finished goods	127,258	(8,128)	119,130
Merchandises	2,603	(479)	2,124
	<u>\$ 213,433</u>	<u>(\$ 16,683)</u>	<u>\$ 196,750</u>
	<u>December 31, 2022</u>		
		Allowance for obsolescence and	
	<u>Cost</u>	<u>market value decline</u>	<u>Book value</u>
Raw materials	\$ 79,916	(\$ 4,876)	\$ 75,040
Work in progress	27,858	(887)	26,971
Finished goods	145,008	(9,685)	135,323
Merchandises	524	(513)	11
	<u>\$ 253,306</u>	<u>(\$ 15,961)</u>	<u>\$ 237,345</u>

The cost of inventories recognised as expense for the year:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 884,731	\$ 994,778
Loss on (gain from reversal of) slow-moving inventories and valuation loss	722	5,587
Underapplied overhead	9,191	3,683
Short-term provision for sales returns and discounts	4,220	-
	<u>\$ 898,864</u>	<u>\$ 1,004,048</u>

(6) Other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments	\$ 21,141	\$ 19,532
Others	521	682
	<u>\$ 21,662</u>	<u>\$ 20,214</u>

(7) Property, plant and equipment

	Year ended December 31, 2023				
	Balance at beginning of year	Addition	Decrease	Transfers during the year	Balance at end of year
Cost					
Land	\$ 347,857	\$ -	\$ -	\$ -	\$ 347,857
Land improvements	2,519	-	-	-	2,519
Buildings and structures	412,675	393,870	(635)	-	805,910
Machinery and equipment	1,229,706	6,992	(812)	16,400	1,252,286
Transportation equipment	4,439	398	(904)	-	3,933
Office equipment	14,660	874	-	-	15,534
Other equipment	121,396	1,962	(7,778)	232	115,812
Unfinished construction/equipment under acceptance	<u>340,396</u>	<u>(271,258)</u>	<u>-</u>	<u>(16,632)</u>	<u>52,506</u>
Total	<u>2,473,648</u>	<u>\$ 132,838</u>	<u>(\$ 10,129)</u>	<u>\$ -</u>	<u>2,596,357</u>
Accumulated depreciation					
Land improvements	(\$ 2,354)	(\$ 164)	\$ -	\$ -	(\$ 2,518)
Buildings and structures	(158,444)	(16,009)	615	-	(173,838)
Machinery and equipment	(941,670)	(49,784)	790	-	(990,664)
Transportation equipment	(3,260)	(275)	854	-	(2,681)
Office equipment	(10,964)	(990)	-	-	(11,954)
Other equipment	<u>(91,016)</u>	<u>(6,818)</u>	<u>7,423</u>	<u>-</u>	<u>(90,411)</u>
	<u>(1,207,708)</u>	<u>(\$ 74,040)</u>	<u>\$ 9,682</u>	<u>\$ -</u>	<u>(1,272,066)</u>
	<u>\$ 1,265,940</u>				<u>\$ 1,324,291</u>

Year ended December 31, 2022

	Balance at beginning of year	Addition	Decrease	Transfers during the year	Balance at end of year
Cost					
Land	\$ 347,857	\$ -	\$ -	\$ -	\$347,857
Land improvements	2,519	-	-	-	2,519
Buildings and structures	411,991	684	-	-	412,675
Machinery and equipment	1,135,990	8,408	(4,376)	89,684	1,229,706
Transportation equipment	4,524	907	(992)	-	4,439
Office equipment	13,244	1,416	-	-	14,660
Other equipment	118,360	2,791	-	245	121,396
Unfinished construction/equipment under acceptance	205,355	224,970	-	(89,929)	340,396
Total	<u>2,239,840</u>	<u>\$ 239,176</u>	<u>(\$ 5,368)</u>	<u>\$ -</u>	<u>2,473,648</u>
Accumulated depreciation					
Land improvements	(\$ 2,072)	(\$ 282)	\$ -	\$ -	(\$ 2,354)
Buildings and structures	(143,351)	(15,093)	-	-	(158,444)
Machinery and equipment	(892,306)	(53,598)	4,234	-	(941,670)
Transportation equipment	(4,109)	(89)	938	-	(3,260)
Office equipment	(10,118)	(846)	-	-	(10,964)
Other equipment	(82,765)	(8,251)	-	-	(91,016)
	<u>(1,134,721)</u>	<u>(\$ 78,159)</u>	<u>\$ 5,172</u>	<u>\$ -</u>	<u>(1,207,708)</u>
	<u>\$ 1,105,119</u>				<u>\$1,265,940</u>

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for business facilities and construction	\$ 178,993	\$ 124,152
Guarantee deposits paid	6,222	9,543
Others	4,430	4,150
	<u>\$ 189,645</u>	<u>\$ 137,845</u>

(9) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries payable	\$ 33,413	\$ 42,407
Freight payable	4,245	5,672
Accrued compensation due to directors	9,056	8,006
Payable on machinery and equipment	42,211	7,601
Other accrued expenses	<u>12,937</u>	<u>14,287</u>
	<u>\$ 101,862</u>	<u>\$ 77,973</u>

(10) Current provisions

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 3,227	\$ 3,227
Additional provisions	<u>4,220</u>	<u>-</u>
Balance at end of year	<u>\$ 7,447</u>	<u>\$ 3,227</u>

The Company's provision is mainly related to the quality of rubber products sold. Provision is estimated based on historical data of rubber products.

(11) Long-term borrowings

	<u>Borrowing period</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings			
Secured borrowings	Borrowing period is from August 5, 2022 to April 15, 2025; interest payable monthly; principal is repayable monthly from May 15, 2023.	Machinery and equipment	\$ 88,667
Secured borrowings	Borrowing period is from August 5, 2022 to July 15, 2029; interest payable monthly; principal is repayable monthly from August 15, 2025.	Plant	67,000
Secured borrowings	Borrowing period is from August 3, 2023 to April 15, 2025; interest payable monthly; principal is repayable monthly from August 15, 2023.	Machinery and equipment	13,714
Secured borrowings	Borrowing period is from August 3, 2023 to July 15, 2029; interest payable monthly; principal is repayable monthly from August 15, 2025.	Plant	
			<u>243,000</u>
			412,381
Current portion			(<u>76,786</u>)
			<u>\$ 335,595</u>

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings			
Secured borrowings	Borrowing period is from August 5, 2022 to April 15, 2025; interest payable monthly; principal is repayable monthly from May 15, 2023.	Machinery and equipment	\$ 133,000
Secured borrowings	Borrowing period is from August 5, 2022 to July 15, 2029; interest payable monthly; principal is repayable monthly from August 15, 2025.	Plant	
			<u>67,000</u>
			200,000
Less: Current portion			(44,333)
			<u>\$ 155,667</u>

Details of the Company's assets pledged as collateral for the purpose of long-term borrowings are provided in Note 8.

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. In addition, 4% is allocated to the retirement fund for the appointed manager.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 15,301	\$ 16,821
Fair value of plan assets	(17,995)	(18,811)
Net defined benefit asset	<u>(\$ 2,694)</u>	<u>(\$ 1,990)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	\$ 16,821	(\$ 18,811)	(\$ 1,990)
Interest expense (income)	<u>202</u>	<u>(226)</u>	<u>(24)</u>
	<u>17,023</u>	<u>(19,037)</u>	<u>(2,014)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	-	-
Experience adjustments	<u>93</u>	<u>(90)</u>	<u>3</u>
	<u>93</u>	<u>(90)</u>	<u>3</u>
Pension fund contribution	<u>-</u>	<u>(683)</u>	<u>(683)</u>
Pension payment	<u>(1,815)</u>	<u>1,815</u>	<u>-</u>
At December 31	<u>\$ 15,301</u>	<u>(\$ 17,995)</u>	<u>(\$ 2,694)</u>

	2022		
	Present value of defined benefit Obligations	Fair value of plan assets	Net defined benefit liability
At January 1	\$ 21,353	(\$ 17,060)	\$ 4,293
Interest expense (income)	149	(120)	29
	<u>21,502</u>	<u>(17,180)</u>	<u>4,322</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)			
Change in demographic assumptions	-	-	-
Change in financial assumptions	(597)	-	(597)
Experience adjustments	(3,776)	(1,256)	(5,032)
	<u>(4,373)</u>	<u>(1,256)</u>	<u>(5,629)</u>
Pension fund contribution	-	(683)	(683)
Pension payment	(308)	308	-
At December 31	<u>\$ 16,821</u>	<u>(\$ 18,811)</u>	<u>(\$ 1,990)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.20%</u>	<u>1.20%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	Increase	Decrease	Increase	Decrease
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>225</u>)	<u>\$ 231</u>	<u>\$ 191</u>	(<u>\$ 186</u>)

	<u>Discount rate</u>		<u>Future salary increases</u>	
	Increase	Decrease	Increase	Decrease
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>286</u>)	<u>\$ 294</u>	<u>\$ 249</u>	(<u>\$ 243</u>)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$675 thousand.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,814
1-2 year(s)		3,099
3-5 years		4,538
Over 5 years		<u>3,536</u>
	<u>\$</u>	<u>12,987</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022, were \$2,060 thousand and \$2,180 thousand, respectively.

(13) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (shares in thousand)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2020.11.24	2,000	10 years	Note

Note: The lifetime of the issued employee stock options is 10 years. After 6 years from the date that employee stock options were granted, employees can exercise the options in accordance with the regulation.

B. Details of the share-based payment arrangements are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>No. of options (shares in thousand)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options (shares in thousand)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at January 1	2,000	\$ -	2,000	\$ -
Options granted	-	-	-	-
Options outstanding at December 31	<u>2,000</u>		<u>2,000</u>	
Options exercisable at December 31	<u>-</u>		<u>-</u>	

C. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price</u>	<u>Exercise price</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Employee stock options	2020.11.24	82.6	82.6	20.1737% (Note)	8 years	-	0.2375%	19.1635

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

D. For the years ended December 31, 2023 and 2022, the compensation costs were both recognised amounting to \$6,385 thousand.

(14) Share capital

As of December 31, 2023, the Company's authorised capital was \$1,000,000 thousand, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was \$779,918 thousand with a par value of \$10 (in dollars) per share. There was no change in the reporting period. All proceeds from shares issued have been collected.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	December 31, 2023	December 31, 2022
Share premium	\$ 225,374	\$ 225,374
Treasury share transactions	8,236	8,236
Employee stock options	19,802	13,417
Donated assets received	1,517	1,354
	\$ 254,929	\$ 248,381

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. As the Company is in the growth stage, and taking into consideration of shareholders' interest, the Company's financial structure and long-term development, total amount of bonus distributed to shareholders shall be over 20% of accumulated unappropriated earnings. The ratio of cash dividends shall be at least 10% of the total amount of bonus distributed to shareholders.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of 2022 and 2021 earnings as approved by the shareholders during their meeting on June 27, 2023 and June 22, 2022, respectively, are as follows:

	<u>Year ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 39,647		\$ 96,855	
Cash dividends	<u>389,960</u>	5.0	<u>545,942</u>	7.0
	<u>\$ 429,607</u>		<u>\$ 642,797</u>	

F. The appropriation of 2023 earnings as approved by the Board of Directors during their meeting on February 22, 2024 are as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 46,918	
Cash dividends	<u>389,960</u>	5.0
	<u>\$ 436,878</u>	

As of February 22, 2024, the appropriation of 2023 earnings has not yet been reported to the shareholders.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(17) Operating revenue

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 1,558,156</u>	<u>\$ 1,845,955</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2023					
Revenue from external customer contracts	Northern America	Europe	Asia region	Other regions	Total
	region	region			
Rubber products	\$ 751,237	\$ 361,966	\$ 387,453	\$ 31,805	\$ 1,532,461
Other products	\$ -	\$ -	\$ 25,695	\$ -	\$ 25,695
Timing of revenue recognition					
At a point in time	\$ 751,237	\$ 361,966	\$ 413,148	\$ 31,805	\$ 1,558,156
Year ended December 31, 2022					
Revenue from external customer contracts	Northern America	Europe	Asia region	Other regions	Total
	region	region			
Rubber products	\$ 927,616	\$ 352,965	\$ 494,285	\$ 37,315	\$ 1,812,181
Other products	\$ -	\$ -	\$ 33,774	\$ -	\$ 33,774
Timing of revenue recognition					
At a point in time	\$ 927,616	\$ 352,965	\$ 528,059	\$ 37,315	\$ 1,845,955

B. Contract liability and refund liability (shown as other current liabilities)

The Company has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities:			
Contract liabilities - advance sales receipts	\$ 17,055	\$ 47,104	\$28,022
Refund liability (that is cash discounts on sales discounts and allowances, shown as 'other current liabilities')	\$ 1,027	\$ 905	\$ 1,019
	Year ended December 31		
	2023	2022	
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 42,788	\$ 26,719	

(18) Interest income

	Year ended December 31	
	2023	2022
Interest income from bank deposits	\$ 24,610	8,461
Interest income from financial assets at fair value through profit or loss	33	1,510
	<u>\$ 24,643</u>	<u>\$ 9,971</u>

(19) Other income

	Year ended December 31	
	2023	2022
Dividend income	\$ -	\$ 65,259
Other income, others	27,087	6,582
	<u>\$ 27,087</u>	<u>\$ 71,841</u>

(20) Other gains and losses

	Year ended December 31	
	2023	2022
Net loss on financial assets or liabilities at fair value through profit or loss	\$ -	(\$ 257,800)
(Losses) gains on disposal of property, plant and equipment	(76)	39,995
Foreign exchange gains	8,016	55,197
	<u>\$ 7,940</u>	<u>(\$ 162,608)</u>

(21) Expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	\$ 92,646	\$ 89,246
Depreciation charges on property, plant and equipment	74,040	78,159
Amortisation expense	10,694	6,021
Operating cost and operating expenses	<u>\$ 177,380</u>	<u>\$ 173,426</u>

(22) Employee benefit expense

	December 31, 2023		
	<u>Cost</u>	<u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 43,765	\$ 21,005	\$ 64,770
Employee stock options	3,384	3,001	6,385
Labour and health insurance fees	4,582	1,823	6,405
Pension costs	1,217	819	2,036
Directors' remuneration	-	10,026	10,026
Other personnel expenses	<u>2,339</u>	<u>685</u>	<u>3,024</u>
	<u>\$ 55,287</u>	<u>\$ 37,359</u>	<u>\$ 92,646</u>

	December 31, 2022		
	<u>Cost</u>	<u>Expenses</u>	<u>Total</u>
Wages and salaries	\$ 43,187	\$ 18,583	\$ 61,770
Employee stock options	3,384	3,001	6,385
Labour and health insurance fees	4,688	1,948	6,636
Pension costs	1,266	943	2,209
Directors' remuneration	-	8,976	8,976
Other personnel expenses	<u>2,482</u>	<u>788</u>	<u>3,270</u>
	<u>\$ 55,007</u>	<u>\$ 34,239</u>	<u>\$ 89,246</u>

- A. In accordance with the Articles of Incorporation of the Company, the profit before deducting tax and employees' compensation and directors' remuneration shall be used to offset operating losses. The remainder, if any, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The accrued amounts of employees' compensation and directors' and supervisors' remuneration are as follows:

	Year ended December 31	
	<u>2023</u>	<u>2022</u>
Employees' compensation	\$ 12,074	\$ 10,675
Directors' and supervisors' remuneration	<u>9,056</u>	<u>8,006</u>
	<u>\$ 21,130</u>	<u>\$ 18,681</u>

The above-mentioned amounts were recognised in salary expenses.

For the years ended December 31, 2023 and 2022, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period, and the estimated and accrued ratios are as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Employees' compensation ratio	<u>2.00%</u>	<u>2.00%</u>
Directors' and supervisors' remuneration ratio	<u>1.50%</u>	<u>1.50%</u>

- C. Employees' compensation and directors' and supervisors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements, and the employees' compensation will be distributed in the form of cash.
- D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- E. As of December 31, 2023 and 2022, the Company had 111 and 114 employees, both including 7 non-employee directors.
- F. Average employee benefit expense in current and previous year was \$794 thousand and \$750 thousand, respectively.
- G. Average employees salaries in current and previous year was \$684 thousand and \$637 thousand, respectively.
- H. Adjustments of average employees salaries was 7%.
- I. The Company's remuneration policy is as follows:
- (a) The directors', supervisors' and managers' remuneration are distributed in accordance with the Articles of Incorporation of the Company.
 - (b) The correlation between the policy, procedures for paying managers' remuneration, operational performance and future risk is as follows: The manager's personal salary and remuneration is determined in accordance with the Company's relevant regulations, and the remuneration committee regularly evaluates the reasonableness of the salary and remuneration. Salary contains the monthly salary, employees' bonuses which are calculated and distributed every month according to the Company's budget achievement and employees' compensation which shall be distributed at least 2% of the current year's earnings in accordance with the annual performance assessment policy.
 - (c) Directors' emoluments include remuneration and transportation allowance.
 - (d) Managers' and employees' emoluments include salaries, bonuses, employee compensation, employee stock option certification, etc.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 114,480	\$ 128,206
Tax on undistributed earnings	-	-
Prior year income tax (overestimation) underestimation	(645)	6,405
Total current tax	113,835	134,611
Deferred tax:		
Origination and reversal of temporary differences	301	(10,819)
Income tax expense	<u>\$ 114,136</u>	<u>\$ 123,792</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2023	2022
Present value of defined benefit obligations	<u>(\$ 1)</u>	<u>\$ 1,126</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 116,664	\$ 103,153
Expenses disallowed by tax regulation	6	25,229
Prior year income tax (overestimation) underestimation	(645)	6,405
Effect from incremental tax on land value	-	298
House and land transactions income tax payable	-	132
Effect from investment tax credits	(1,889)	(1,033)
Temporary differences not recognised as deferred tax assets	-	(10,392)
Income tax expense	<u>\$ 114,136</u>	<u>\$ 123,792</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	<u>Year ended December 31, 2023</u>			
	<u>Balance at beginning of year</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Balance at end of year</u>
Temporary differences:				
—Deferred tax assets:				
Unrealised sales revenue	\$ 15,003	(\$ 2,892)	\$ -	\$ 12,111
The amount of pension not actually appropriated	3,367	(130)	-	3,237
Allowance for inventory valuation and obsolete and slow-moving inventories	3,191	144	-	3,335
Allowance for sales returns and discounts	646	844	-	1,490
Unrealised exchange loss	-	211	-	211
Unrealised losses on valuation of financial assets	905	(905)	-	-
Others	<u>415</u>	<u>20</u>	<u>-</u>	<u>435</u>
	<u>\$ 23,527</u>	<u>(\$ 2,708)</u>	<u>\$ -</u>	<u>\$ 20,819</u>
—Deferred tax liabilities:				
Land value increment tax	(28,202)	-	-	(28,202)
Unrealised exchange gain	(2,407)	2,407	-	-
Remeasurement of defined benefit obligations	<u>(2,586)</u>	<u>-</u>	<u>1</u>	<u>(2,585)</u>
	<u>(\$ 33,195)</u>	<u>\$ 2,407</u>	<u>\$ 1</u>	<u>(\$ 30,787)</u>
		<u>(\$ 301)</u>	<u>\$ 1</u>	

Year ended December 31, 2022

	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Balance at end of year
Temporary differences:				
— Deferred tax assets:				
Unrealised sales revenue	\$ -	\$ 15,003	\$ -	\$ 15,003
The amount of pension not actually appropriated	3,497	(130)	-	3,367
Allowance for inventory valuation and obsolete and slow-moving inventories	2,074	1,117	-	3,191
Allowance for sales returns and discounts	646	-	-	646
Unrealised exchange loss	3,226	(3,226)	-	-
Unrealised losses on valuation of financial assets	194	711	-	905
Others	664	(249)	-	415
	<u>\$ 10,301</u>	<u>\$ 13,226</u>	<u>\$ -</u>	<u>\$ 23,527</u>
— Deferred tax liabilities:				
Land value increment tax (28,202)	-	-	(28,202)
Unrealised exchange gain	-	(2,407)	-	(2,407)
Remeasurement of defined benefit obligations	(1,460)	-	(1,126)	(2,586)
	<u>(\$ 29,662)</u>	<u>(\$ 2,407)</u>	<u>(\$ 1,126)</u>	<u>(\$ 33,195)</u>
		<u>\$ 10,819</u>	<u>(\$ 1,126)</u>	

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(25) Supplemental cash flow information

A. Investing activities with partial cash payments for property, plant and equipment:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 132,838	\$ 239,176
Add: Opening balance of payable on equipment	7,601	85,528
Less: Ending balance of payable on equipment	(42,211)	(7,601)
Add: Ending balance of prepayment for equipment and construction	178,993	124,152
Less: Opening balance of prepayment for equipment and construction	(124,152)	(81,322)
Cash paid during the year	<u>\$ 153,069</u>	<u>\$ 359,933</u>

B. Changes in liabilities from financing activities

	<u>2023</u>	
		<u>Liabilities from financing activities-gross</u>
At January 1	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Changes in cash flow from financing activities	<u>212,381</u>	<u>212,381</u>
At December 31	<u>\$ 412,381</u>	<u>\$ 412,381</u>
	<u>2022</u>	
		<u>Liabilities from financing activities-gross</u>
At January 1	<u>\$ -</u>	<u>\$ -</u>
Changes in cash flow from financing activities	<u>200,000</u>	<u>200,000</u>
At December 31	<u>\$ 200,000</u>	<u>\$ 200,000</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CLEP ENTERPRISE CO., LTD.	The chairman of the entity is the second-degree relative of the chairman of the Company (other related party)

(2) Significant related party transactions

A. Purchases

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Raw materials purchased:		
CLEP ENTERPRISE CO., LTD.	<u>\$ 187,454</u>	<u>\$ 203,693</u>

The above price of purchase transactions is based on the market price in mutual agreement. The payment terms were approximately the same as those with general suppliers. The payment to the general suppliers is 60 to 95 days after monthly billings, L/C or T/T based on the different transaction terms.

B. Payables to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Notes payable:	
CLEP ENTERPRISE CO., LTD.	<u>\$ 46,765</u>	<u>\$ 54,846</u>
Accounts payable:		
CLEP ENTERPRISE CO., LTD.	<u>\$ 16,486</u>	<u>\$ 15,028</u>

The payables to related parties arose mainly from purchase transactions.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 13,266	\$ 12,076
Post-employment benefits	32	32
	<u>\$ 13,298</u>	<u>\$ 12,108</u>

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 420,871	\$ 427,132	Long-term and short-term borrowings
Registered non-negotiable certificates of deposit (Shown as financial assets at amortised cost)	<u>258</u>	<u>813</u>	Guarantees for construction
	<u>\$ 421,129</u>	<u>\$ 427,945</u>	

The Company's long-term and short-term borrowings have been fully repaid, but property, plant and equipment pledged as collateral have not been written off.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ 98,998</u>	<u>\$ 157,899</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Cash and cash equivalents	723,078	1,185,269
Current financial assets at amortised cost	1,112,778	529,225
Notes receivable	8,896	8,529
Accounts receivable	198,496	150,568
Other receivables	6,553	6,447
Guarantee deposits paid	6,222	9,543
	<u>\$ 2,056,023</u>	<u>\$ 1,889,581</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable (including related parties)	\$ 62,115	\$ 84,762
Accounts payable (including related parties)	34,309	39,607
Other payables	101,862	77,973
Long-term borrowings	412,381	200,000
Guarantee deposits received	<u>100</u>	<u>100</u>
	<u>\$ 610,767</u>	<u>\$ 402,442</u>

B. Financial risk management policies

- (a) The Company's daily sales expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units and chairman's office, and implements in accordance with the Company's internal management regulation and internal control system. The process and results of the implementation shall comply with the regulations of the law.

The board of directors of the Company supervises the management's compliance with financial risk policies and procedures, and reviews the appropriateness of the Company's financial risk framework. Internal auditors assist the board of directors of the Company in its supervisory role by conducting regular and exception reviews and reporting the results to the board of directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i The Company sells internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, GBP, JPY, AUD and EUR. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of sales revenue.
- iii The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the

exchange rate fluctuations is as follows:

December 31, 2023

**(Foreign
currency:
functional
currency)**

<u>Sensitivity analysis</u>						
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY:NTD	\$ 531,689	0.22	\$116,972	1%	\$ 1,170	-
USD:NTD	7,222	30.66	221,427	1%	2,214	-
EUR:NTD	3,295	33.78	111,305	1%	1,113	-
AUD:NTD	236	20.88	4,928	1%	49	-
GBP:NTD	664	38.95	25,863	1%	259	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 271	30.66	\$ 8,309	1%	\$ 83	-

December 31, 2022

**(Foreign
currency:
functional
currency)**

<u>Sensitivity analysis</u>						
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY:NTD	\$ 197,089	0.23	\$ 45,409	1%	\$ 454	-
USD:NTD	13,628	30.66	417,834	1%	4,178	-
EUR:NTD	1,207	32.52	39,252	1%	393	-
AUD:NTD	170	20.73	3,524	1%	35	-
GBP:NTD	847	36.89	31,246	1%	312	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 348	30.66	\$ 10,670	1%	\$ 107	-

iv The total exchange (loss) gain, including realised and unrealised, arising from

significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to gain of \$8,016 thousand and gain of \$55,197 thousand, respectively.

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2023, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

(b) Credit risk

- i Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii The Company is in line with credit risk management procedure to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were highly unrecoverable, there has been a significant increase in credit risk on that instrument since initial recognition, and the specific identification was adopted.
- iv The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.
- v The Company first evaluates and recognises impairment losses for individual receivables that have objective evidence that they cannot be collected. For the rest of receivables, the loss rate is established based on historical and timely information for a specific period, and future forward-looking considerations are made to assess the loss allowance for receivables. As of December 31, 2023 and 2022, the accumulated amount of loss allowance for the above-mentioned individual provision for receivables was \$0 thousand and \$352 thousand, respectively. The rest of receivables were assessed using expected loss approach, the accumulated loss allowance amounted to \$3,575 thousand and \$3,223 thousand, respectively.

- vi Movements in relation to the Company applying the modified approach to provide loss allowance for receivables are as follows:

	<u>2023</u>	<u>2022</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 3,575	\$ 4,575
Reversal of impairment loss	-	(1,000)
At December 31	<u>\$ 3,575</u>	<u>\$ 3,575</u>

(c) Liquidity risk

- i Cash flow forecasting is performed in the operating segments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2023

	Less than 3	Between 3		Between 1	Over 5 years	Total
	<u>months</u>	<u>months and</u>	<u>1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Notes payable	\$ 15,350	\$ -	\$ -	\$ -	\$ -	\$ 15,350
Notes payable to related parties	46,765	-	-	-	-	46,765
Accounts payable	17,823	-	-	-	-	17,823
Accounts payable to related parties	16,486	-	-	-	-	16,486
Other payables	92,806	9,056	-	-	-	101,862
Guarantee deposits received	-	-	-	-	100	100
Long-term borrowings	19,792	59,205	333,905	-	-	412,902

Non-derivative financial liabilities

December 31, 2022

	Less than 3	Between 3	Between 1		
	<u>months</u>	<u>months and</u>	<u>and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
		<u>1 year</u>			
Notes payable	\$ 29,916	\$ -	\$ -	\$ -	\$ 29,916
Notes payable to related parties	54,846	-	-	-	54,846
Accounts payable	24,579	-	-	-	24,579
Accounts payable to related parties	15,028	-	-	-	15,028
Other payables	69,967	8,006	-	-	77,973
Guarantee deposits received	-	-	-	100	100
Long-term borrowings	-	44,806	130,124	26,597	201,527

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to statement 1.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to statement 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

- A. Basic information: None.
- B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

(4) Major shareholders information

Major shareholders information: Please refer to statement 3.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. Business organisation is divided into rubber products and other segments based on the products. There is no material change in the basis for formation of entities and division of segments in the Company or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on income/(loss) before tax.

(3) Information about segment profit or loss, assets and liabilities

A. The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2023</u>	<u>Rubber products</u>	<u>Other products</u>	<u>Total</u>
Revenue from external customers	<u>\$ 1,532,461</u>	<u>\$ 25,695</u>	<u>\$ 1,558,156</u>
Segment income (loss) before tax	<u>\$ 543,520</u>	<u>(\$ 18,201)</u>	<u>\$ 525,319</u>
<u>Year ended December 31, 2022</u>	<u>Rubber products</u>	<u>Other products</u>	<u>Total</u>
Revenue from external customers	<u>\$ 1,812,181</u>	<u>\$ 33,774</u>	<u>\$ 1,845,955</u>
Segment income (loss) before tax	<u>\$ 607,100</u>	<u>(\$ 10,289)</u>	<u>\$ 596,811</u>

B. The Company's reportable operating segments are the result of the organisation divided by products.

C. The Company generates revenue primarily by manufacturing and selling rubber products.

D. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. Segment (profit) loss refers to the profit or loss of each segment, excluding allocated interest income, other income, other expenditures, profit or loss from outside investments, currency exchange gains (losses) and gains (losses) on disposal of property, plant and equipment. The income/(loss) before tax is used as a basis for the Company in assessing the performance of the operating segments.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A. The total revenue for the years ended December 31, 2023 and 2022 is the same as the total revenue of continuing operating segments, and there is no reconciling items.

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue of reportable operating segments	<u>\$ 1,558,156</u>	<u>\$ 1,845,955</u>

B. A reconciliation item of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2023 and 2022 is provided as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Reportable segments (loss) / income		
before tax	\$ 525,319	\$ 596,811
Interest income	24,643	9,971
Other income	27,087	71,841
Other expenditures	(1,668)	(252)
Non-industry investment profit or loss	-	(257,800)
Currency exchange (losses) gains	8,016	55,197
(Losses) gains on disposal of property, plant and equipment	<u>(76)</u>	<u>39,995</u>
The total profit from the continuing operations in the current year	<u>\$ 583,321</u>	<u>\$ 515,763</u>

(5) Information on products

The Company's business segment mainly engaged in manufacturing, processing and sales of rubber conveyor belt, rubber sheet, oil resistant, acid resistant, heat resistant packer elements and other rubber products. Since the operating revenue, operating profit and identifiable assets used by the segment account for more than 90% of the total operating revenue, total operating profit and total assets, it belongs to one single industry.

(6) Geographical information

Revenue is calculated based on geographic location of customers. Non-current assets are classified based on geographic location of assets and included property, plant and equipment, intangible asset and other non-current asset, but exclude financial instruments, guarantee deposits paid and deferred tax assets. Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31			
	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Northern America	\$ 751,237	\$ -	\$ 927,616	\$ -
Asia	413,148	1,509,368	528,059	1,397,880
Europe	361,966	-	352,965	-
Other location	31,805	-	37,315	-
	<u>\$ 1,558,156</u>	<u>\$ 1,509,368</u>	<u>\$ 1,845,955</u>	<u>\$ 1,397,880</u>

(7) Major customer information

Major customer information of the Company for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31			
	2023		2022	
	Revenue	Segment	Revenue	Segment
D	\$ 285,154	Rubber product	\$ 191,436	Rubber product
A	223,787	Rubber product	310,183	Rubber product
C	145,052	Rubber product	156,828	Rubber product
B	144,444	Rubber product	246,334	Rubber product
	<u>\$ 798,437</u>		<u>\$ 904,781</u>	

Hsin Yung Chien Co., Ltd.

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2023

Statement 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:					Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
						Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
HSIN YUNG CHIEN CO., LTD.	Real estate	December 29, 2023	\$ 388,380	Based on the terms in the contract	KONG CHOU CONSTRUCTION CO., LTD.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacturing purpose	None

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Hsin Yung Chien Co., Ltd.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Statement 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
HSIN YUNG CHIEN CO., LTD.	CLEP ENTERPRISE CO., LTD.	Other related parties	Purchases	\$ 187,454	30.17%	60 to 95 days after monthly billings	Note 3	Note 3	\$ 63,251	65.60%	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Please refer to Note 7(2) for purchase transaction information with Hsin Yung Chien Co., Ltd.

Hsin Yung Chien Co., Ltd.
Major shareholders information
31-Dec-23

Statement 3

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
CHI KAUN INVESTMENT CO., LTD	8,392,907	10.76%
YOU ZHEN CO., LTD	8,187,675	10.49%
JI WANG CHENG CO., LTD	6,950,513	8.91%
JI UO INVESTMENT CO., LTD	5,723,349	7.33%

Hsin Yung Chien Co., Ltd.

Chairperson: Lin, Chi-Chin