

**SHINIH ENTERPRISE CO., LTD.**

**Parent Company Only Financial Statements for  
the Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
SHINIHI ENTERPRISE CO., LTD.

### Opinion

We have audited the accompanying parent company only financial statements of SHINIHI ENTERPRISE CO., LTD. ("the Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation Engagements 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

### 1. Recognition of gain on land expropriation and compensation agreement of the PRC subsidiary

As mentioned in note 6(6) of the parent company only financial statements, sub-sub-subsidiary of SHINIH ENTERPRISE CO., LTD., Shinih Fiber Products (Suzhou) Co., Ltd., entered into the "land expropriation and compensation agreement" with Taicang Municipal People's Government in November 2022 for the local people government's construction plan, including that Shinih Fiber Products (Suzhou) Co., Ltd. has to the delivery of non-movable objects such as land-use right, buildings and equipment, suspend production or operations, and compensation such as cease labor contract and relocation expense within the limitation periods. Shinih Fiber Products (Suzhou) Co., Ltd. has been implemented under the contract and received total subsidies in March 2023, those expropriation compensations and its related relocation expense recognized as net profit in profit or loss. Considering the land expropriation is material to the parent company only financial statements, and the management's subjective judgment will influence its recognition of relocation expenses and the revenue recognition. Therefore, we identified this expropriation transaction as a key audit matter for auditing these parent company only financial statements.

Our main audit procedures include obtaining the land expropriation and compensation agreement signed with the local government for reviewing the relevant agreement to understand Shinih Fiber Products (Suzhou) Co., Ltd. obtained the rights and obligations on receiving the expropriation compensation income; inspecting the consistency between the relevant resolution of the Board meeting minutes and those mentioned by the management; verifying the expropriation compensation income and relocation expense documents by selected samples to check the consistency between the actual received and paid and the amounts mentioned in the contracts; verifying the consistency between the derecognition items and documents and checking the correctness of its disposal interest; reviewing the accounting treatment of expropriation transaction and assessing the correctness of its accounting items.

## 2. Impairment assessment of property, plant and equipment

As of December 31, 2023, the Company's property, plant and equipment were \$1,426,968 thousand, representing 26% of the total assets. The management regularly reviewed whether there were any indications of impairment on property, plant and equipment under the regulations of IAS 36 impairment of assets. Assessing the impairment loss of non-financial assets needs through forecasting and discounting future cash flow to estimate recoverable amounts. The process is, in essence, significant uncertainty. Therefore, we identified it as a key matter for auditing these parent company only financial statements.

Our main audit procedures include obtaining the assessment form of impairment of assets by the Company's self-assessment; assessing the reasonableness of the impairment indications identified by the management; inspecting whether the Company's use of property, plant and equipment and the range or methods expected to be used have a material adverse change; and reviewing whether the Company's economic performance on property, plant and equipment was below expectation.

## 3. Impairment of accounts receivable

As of December 31, 2023, the accounts receivable of the Company was assessed the impairment loss by its policies. The increase of collection risk of accounts receivable might result from the global economic uncertainty, and the assessments on expected credit impairment loss involved the management exercised their judgments on the assumptions of client's credit risk. Therefore, we identified the impairment of accounts receivable assessment as a key matter for auditing of these parent company only financial statements.

Our main audit procedures include testing the controlled points related to the collection and reviewing the subsequent collection records; obtaining the accounts receivable aging schedule provided by the management and verifying the accuracy of its aging range by selected samples; analyzing the comparison between the aged periods and proportions to assess the reasonableness of impairment of accounts receivable; and assessing the appropriateness about the disclosure of impairment of accounts receivable by the management.

## 4. Valuation of allowance to reduce inventory to market

The accounting policies of loss for market price decline and obsolete and slow-moving inventories of the Company was based on the loss for obsolete and slow-moving inventories in the inventories aging information. Those information resources were the management based on the sales, obsolete and qualities of inventories to judge and assess the net realized value of inventories and measured the inventories value by the lower of cost and net realized value, and provision for reducing

inventory to market. Therefore, we identified the valuation of allowance to reduce inventory to market as a key matter for auditing these parent company only financial statements.

Our main audit procedures include assessing the Company's provision of inventories based on the nature of inventories; inspecting the accuracy of inventories aging schedule by selected samples; assessing the reasonableness of the rate for loss market price decline and obsolete and slow-moving inventories and the Company management's assumptions; inspecting the correctness of the Company's previous inventories allowance and comparison with the estimated inventories allowance in the current period to assess the appropriateness of the estimated methods and assumptions for the current period; and assessing the appropriateness of the management's disclosure about the allowance to reduce inventory to market.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the 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 its operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huang, Chien Chen and Yang, Chen Yu.



CROWE (TW) CPAs

Taichung, Taiwan (Republic of China)

March 11, 2024

Notice to Readers

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

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

# SHINIH ENTERPRISE CO., LTD.

## PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 283,175	5	\$ 233,237	4
Notes receivable, net	6(2)	8,850	-	10,639	-
Accounts receivable, net	6(3)	18,843	1	34,268	1
Accounts receivable, net - related parties	7	2,941	-	2,089	-
Other receivables, net	6(4)	3,611	-	2,936	-
Other receivables, net - related parties	7	18,038	1	27,099	1
Current tax assets	6(25)	13,685	-	12,376	-
Inventories	6(5)	71,706	1	108,293	2
Prepayments		16,131	-	15,958	-
Other financial assets - current	6(1)	175,019	3	144,158	3
Total current assets		611,999	11	591,053	11
<b>NONCURRENT ASSETS</b>					
Investments accounted for using equity method	6(6)	3,057,842	56	2,816,176	54
Property, plant and equipment	6(7) · 8	1,426,968	26	1,409,552	27
Right-of-use assets	6(8)	8,600	-	9,215	-
Investment properties	6(9) · 8	251,938	5	254,904	5
Intangible assets	6(10)	7,823	-	7,757	-
Deferred income tax assets	6(25)	97,039	2	79,964	2
Other financial assets - non-current	6(1)	-	-	76,954	1
Other non-current assets		2,719	-	16,310	-
Total non-current assets		4,852,929	89	4,670,832	89
<b>TOTAL ASSETS</b>		<b>\$ 5,464,928</b>	<b>100</b>	<b>\$ 5,261,885</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(11)	\$ 790,000	15	\$ 450,687	9
Contract liabilities - current	6(20)	6,198	-	7,327	-
Notes payable		9,473	-	11,844	-
Accounts payable		4,693	-	8,297	-
Accounts payable - related parties	7	2,655	-	6,155	-
Other payables	6(12)	66,045	1	85,432	2
Other payables - related parties	7	3,073	-	6,025	-
Current income tax liabilities	6(25)	7,832	-	16,262	-
Lease liabilities - current	6(8) · 7	578	-	570	-
Long-term liabilities-current portion	6(13)	178,333	4	166,250	4
Other current liabilities		10,564	-	21,296	-
Total current liabilities		1,079,444	20	780,145	15
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(13)	795,417	15	973,750	19
Deferred income tax liabilities - noncurrent	6(25)	131,516	2	81,493	1
Lease liabilities - non-current	6(8) · 7	8,306	-	8,884	-
Net defined benefit liability - noncurrent	6(14)	920	-	884	-
Guarantee deposits received		4,456	-	4,954	-
Credit balance of investments accounted for using equity method	6(6)	11,768	-	-	-
Total non-current liabilities		952,383	17	1,069,965	20
Total liabilities		2,031,827	37	1,850,110	35
<b>EQUITIES</b>					
Capital - common stocks	6(15)	1,091,071	20	1,091,071	21
Capital surplus	6(16)	230,774	4	230,774	4
Retained earnings	6(17)				
Legal capital reserve		395,229	7	372,632	7
Special capital reserve		106,123	2	148,961	3
Unappropriated earnings		1,665,343	31	1,598,582	30
Others	6(18)	19,449	-	44,643	1
Treasury stock	6(19)	(74,888)	(1)	(74,888)	(1)
Total equity		3,433,101	63	3,411,775	65
<b>TOTAL LIABILITIES AND EQUITIES</b>		<b>\$ 5,464,928</b>	<b>100</b>	<b>\$ 5,261,885</b>	<b>100</b>

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

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	NOTES	2023		2022	
		Amount	%	Amount	%
REVENUE	6(20) 、 7	\$ 297,040	100	\$ 443,926	100
COST OF REVENUE	6(5 、 21) 、 7	(250,974)	(84)	(318,963)	(72)
GROSS PROFIT		46,066	16	124,963	28
Unrealized gross profit on sales		(654)	-	(382)	-
Realized gross profit on sales		382	-	611	-
GROSS PROFIT		45,794	16	125,192	28
OPERATING EXPENSES	6(21) 、 7				
Marketing		(37,378)	(14)	(51,421)	(12)
General and administrative		(108,414)	(36)	(102,663)	(23)
Research and development		(98,286)	(33)	(75,421)	(17)
Expected credit loss	6(3)	-	-	(538)	-
Total operating expenses		(244,078)	(83)	(230,043)	(52)
OPERATING LOSS		(198,284)	(67)	(104,851)	(24)
NON-OPERATING INCOME AND EXPENSES					
Interest income		18,104	6	4,915	1
Other income	6(22)	46,671	16	40,260	9
Other gains and losses	6(23)	3,050	1	(10,158)	(2)
Finance costs	6(24)	(23,563)	(8)	(14,439)	(3)
Share of profit or loss of subsidiaries accounted for using equity method		357,647	120	315,394	71
Total non-operating income and expenses		401,909	135	335,972	76
INCOME BEFORE INCOME TAX		203,625	68	231,121	52
INCOME TAX EXPENSE	6(25)	(46,011)	(15)	(6,721)	(2)
NET INCOME		157,614	53	224,400	50
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans	6(14 、 26)	(71)	-	1,725	-
Remeasurements of defined benefit plans of the subsidiary accounted for using equity method	6(26)	166	-	186	-
Income tax benefit (expense) related to items that will not be reclassified	6(25 、 26)	15	-	(345)	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	6(18 、 26)	(31,493)	(10)	109,351	25
Income tax benefit related to items that may be reclassified	6(18 、 25 、 26)	6,299	2	(21,870)	(5)
Other comprehensive income (loss) for the current period		(25,084)	(8)	89,047	20
TOTAL COMPREHENSIVE INCOME FOR THE CURRENT PERIOD		\$ 132,530	45	\$ 313,447	70
EARNINGS PER SHARE (IN DOLLARS)	6(27)				
Basic earnings per share		\$ 1.49		\$ 2.12	
Diluted earnings per share		\$ 1.48		\$ 2.11	

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

SHINIH ENTERPRISE CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

	Capital Surplus			Retained Earnings			Others		Total Equity
	Capital - Common Stocks	Additional Paid-in Capital Arising From Bond Conversion	Others	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Treasury Stock	
BALANCE, JANUARY 1, 2022	\$ 1,091,071	\$ 213,926	\$ 16,848	\$ 321,311	\$ 115,929	\$ 1,562,593	\$ (42,838)	\$ (68,448)	\$ 3,210,392
Appropriations of prior year's earnings									
Legal capital reserve	-	-	-	51,321	-	(51,321)	-	-	-
Special capital reserve	-	-	-	-	33,032	(33,032)	-	-	-
Cash dividends to shareholders - NT\$1 per share	-	-	-	-	-	(105,603)	-	-	(105,603)
Net income in 2022	-	-	-	-	-	224,400	-	-	224,400
Other comprehensive income in 2022	-	-	-	-	-	1,566	87,481	-	89,047
Purchase of treasury stock	-	-	-	-	-	-	-	(13,580)	(13,580)
Treasury stock sold to employees	-	-	-	-	-	(21)	-	7,140	7,119
BALANCE, DECEMBER 31, 2022	\$ 1,091,071	\$ 213,926	\$ 16,848	\$ 372,632	\$ 148,961	\$ 1,598,582	\$ 44,643	\$ (74,888)	\$ 3,411,775
Appropriations of prior year's earnings									
Legal capital reserve	-	-	-	22,597	-	(22,597)	-	-	-
Special capital reserve	-	-	-	-	(42,838)	42,838	-	-	-
Cash dividends to shareholders - NT\$1.05 per share	-	-	-	-	-	(111,204)	-	-	(111,204)
Net income in 2023	-	-	-	-	-	157,614	-	-	157,614
Other comprehensive income (loss) in 2023	-	-	-	-	-	110	(25,194)	-	(25,084)
BALANCE, DECEMBER 31, 2023	\$ 1,091,071	\$ 213,926	\$ 16,848	\$ 395,229	\$ 106,123	\$ 1,665,343	\$ 19,449	\$ (74,888)	\$ 3,433,101

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

# SHINIH ENTERPRISE CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 203,625	\$ 231,121
Adjustments to reconcile profit (loss)		
Depreciation	77,120	76,150
Amortization	1,585	1,132
Interest expense	23,563	14,439
Interest income	(18,104)	(4,915)
Net investment income accounted for using equity method	(357,647)	(315,394)
Unrealized gain from sales	(1,469)	(850)
Net gain on disposals of property, plant and equipment	(230)	(274)
Impairment loss on non-financial assets	-	49,966
Net changes in operating assets and liabilities		
Notes receivable	1,789	1,958
Accounts receivable	14,573	22,756
Inventories	36,587	(26,318)
Other receivables	10,195	6,014
Prepayments	(173)	1,159
Contract liabilities	(1,129)	1,706
Notes payable	(2,371)	(18,084)
Accounts payable	(7,104)	(3,099)
Other payables	(7,570)	(8,921)
Other current liabilities	(10,732)	14,666
Net defined benefit liability	(35)	(1,160)
Cash provided from (used in) operations	(37,527)	42,052
Interest received	16,295	3,651
Dividends received	97,891	113,158
Interest paid	(23,381)	(13,908)
Income taxes paid	(16,488)	(1,324)
Net cash provided by operating activities	36,790	143,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(107,759)	(181,918)
Acquisition of intangible assets	(1,651)	(1,044)
Proceeds from disposal of Property, plant and equipment	2,083	279
Decrease (increase) in refundable deposits	22	(39)
Prepayments - decrease in noncurrent	13,569	6,877
Decrease (increase) in other financial assets	46,093	(31,781)
Net cash used in investing activities	(47,643)	(207,626)

(Continued)

# SHINIH ENTERPRISE CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 339,313	\$ 189,309
Proceeds from long-term loans	-	100,000
Repayment of long-term loans	(166,250)	-
Repayments of the principal portion of lease liabilities	(570)	(563)
Guarantee deposit received	(498)	14
Payments to acquire treasury stock	-	(13,580)
Treasury stock sold to employees	-	7,119
Cash dividends paid	(111,204)	(105,603)
Net cash provided by financing activities	<u>60,791</u>	<u>176,696</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,938	112,699
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	233,237	120,538
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 283,175</u>	<u>\$ 233,237</u>

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

(Concluded)

# SHINIH ENTERPRISE CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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### 1. GENERAL INFORMATION

SHINIH ENTERPRISE CO., LTD. ("the Company") was established under the laws of the Republic of China in accordance with the Company Act of 1962, initiating its commercial activities within that calendar year. The Company's operational scope encompasses the production and refinement of nonwoven fabric materials, alongside the fabrication of insulation and industrial materials. Additionally, the Company is actively involved in the commerce of ancillary products, textile machinery, and engages in the real estate sector through the development, marketing, and leasing of mixed-use edifices.

The equity shares of the Company have been publicly listed and are actively traded on the Taiwan Stock Exchange (TWSE) since the 26th of August, 2002.

### 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 11, 2024.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

**3.1 Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC):**

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note A)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note B)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note C)
Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules"	(Note D)

- Note A: An entity shall apply the amendments for annual reporting periods beginning on or after January 1, 2023.
- Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting period beginning on or after January 1, 2023.
- Note C: Except for the temporary differences associated with leases and decommissioning obligations that should be in compliance with additional regulations, the amendments will be applied prospectively to transactions occur on or after the beginning of the earliest period presented, January 1, 2022.
- Note D: As a temporary exception under IAS 12, an entity shall not recognize deferred income tax assets and liabilities associated with Pillar 2 income tax, nor shall it disclose the related information. However, the entity shall disclose in its financial report that it has already applied this exception. An entity shall apply this part of the amendment retrospectively in accordance with IAS 8 since the date that the amendments were issued (i.e. May 23, 2023). An entity shall apply the remaining disclosure requirements for the annual reporting periods beginning on or after January 1, 2023, and needs not to disclose such information in its interim reports with a reporting date ending before or on December 31, 2023.

(1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments clarify that an entity shall disclose its material significant accounting policy information if the transaction, other event or condition to which the accounting policy information relates is material in size or nature, or a combination of both, and the accounting policy information that relates to a material transaction, other event or condition is also material to the financial statements. On the other hand, if the transaction, other event or condition to which the accounting policy information relates is immaterial in size or nature, an entity needs not to disclose the accounting policy information that relates to the immaterial transaction, other event or condition. Additionally, Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed, either. However, an entity’s conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify that a change in measurement techniques or inputs used to develop an accounting estimate is a change in accounting estimates unless the change is due to an error from prior periods.

(3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”

The amendments narrow the exemption extent in paragraphs 15 and 24 of IAS 12 for an entity from recognizing a deferred tax asset or liability in particular circumstances. In particular, the exemption does not apply to a transaction that gives rise to equal

taxable and deductible difference at the time of the transaction. At the initial application of the amendments, an entity shall, at the beginning of the earliest comparative period presented, recognize deferred taxes for all deductible and taxable temporary differences associated with (i) lease and (ii) decommissioning liabilities and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. An entity shall also apply the amendments transactions that occur on or after the beginning of the earliest comparative period presented.

(4) Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

The amendments stipulate that, as a temporary exception to IAS 12, company shall neither recognize nor disclose information about deferred income tax assets and liabilities for Pillar Two income tax relating to international tax reform; however, company shall disclose in its financial reports that it has applied this exception. In addition, company shall separately disclose its current income tax expenses (benefits) relating to Pillar Two income tax. If the Pillar Two bill has been enacted or has been substantively enacted but has not yet taken effect, company should disclose qualitative and quantitative information on its exposure to Pillar Two income tax that is known or can be reasonably estimated. Based on the Company’s assessment, the New IFRSs above have no significant effect on the Company’s financial position and financial performance.

Based on the Company’s assessment, the application of the New IFRSs above will not have any significant impact on the Company’s financial position and financial performance.

**3.2 The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2024:**

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024(Note A)
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(Note B)

Note A: The seller-lessee shall apply the amendments retrospectively in accordance with IAS 8 for the sale and leaseback transactions made after the initial application of IFRS 16.

Note B: The amendment provides certain transitional reliefs. When initially applying the amendment, entities are not required to disclose comparative information and interim period information, as well as opening information required by paragraph 44H(b)(ii)-(iii).

(1) Amendments to IFRS 16 "Lease liability in a sale and leaseback"

The amendment clarifies that for a sale and leaseback transaction, if the transfer of the asset is treated as a sale in accordance with IFRS 15, the liabilities incurred by the seller-lessee due to the leaseback should be treated in accordance with the IFRS 16. Moreover, if any variable lease payments that do not depend on an index or rate are involved, the seller-lessee should still determine and recognize the lease liability arising from such variable payments in a manner that does not recognize gains and losses related to the retained right of use. The difference between the subsequent actual lease payment amount and the reduced carrying amount of the lease liability is recognized in profit or loss.

(2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that when an entity determines whether a liability is classified as non-current, the entity should assess whether it has the right to defer the settlement for at least twelve months after the reporting period. If the entity has that right on the end of reporting period, that liability must be classified as non-current regardless of whether the entity expects whether to exercise the right or not. If the entity must follow certain conditions to have the right to defer the settlement of a liability, the entity must have followed those conditions at the end of reporting period in order to have that right, even if the lender tests the entity's compliance on a later date.

The aforementioned settlement means transferring cash, other economic resources or the entity's equity instruments to the counterparty to extinguish the liability. If the terms of the liability give the counterparty an option to extinguish the liability by the entity's equity instruments, and this option is recognized separately in equity in accordance with IAS 32 "Financial Instruments: Presentation", then the classification of the liability will not be affected.

(3) Amendment to IAS 1 "Non-current Liabilities with Covenants"

This amendment further clarifies that only contractual terms that are required to be complied with before the end of the reporting period will affect the classification of the liability at that date. The contractual terms that required to be complied with within 12 months after the reporting period do not affect the classification of liabilities at the reporting date. However, for liabilities classified as non-current and must be repaid within 12 months after the reporting period due to potential non-compliance, the relevant facts and circumstances should be disclosed.

(4) Amendment to IAS 1 "Non-current Liabilities with Covenants"

Supplier financing arrangements involve one or more financing providers making payments to suppliers on behalf of an entity, and the entity agrees to repay the

financing providers on the payment date agreed with the suppliers or a later date. The amendments to IAS 7 require an entity to disclose information on its supplier financing arrangements to enable users of financial statements to assess the impact of these arrangements on the entity's liabilities, cash flows and exposure to liquidity. The amendments to IFRS 7 include into its application guidance that when disclosing how an entity manages the liquidity risk of its financial liabilities, it may also consider whether it has obtained or can obtain financing facilities through supplier financing arrangements, and whether these arrangements may cause concentration of liquidity risk.

Based on the Company's assessment, the application of the New IFRSs above will not have any significant impact on the Company's financial position and financial performance.

### 3.3 The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC:

New standards, interpretations and amendments issued by the IASB but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9-Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

As of the date the parent company only financial statements are authorized for issue, the Company is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are used in the preparation of the parent company only financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 4.1 Statement of Compliance

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

### 4.2 Basis of Preparation

- A. Except for the financial assets and liabilities at fair value through profit or loss (including derivative financial instruments), the parent company only financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.
- B. When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to align with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and share of other comprehensive income of subsidiaries in the parent company only financial statements.
- C. The preparation of financial statements in conformity with IFRSs endorsed by the FSC requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

#### **4.3 Foreign Currencies**

- A. Items included in the parent company only financial statements are measured using the functional currency of the Company. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.
- B. In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising in the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising in the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange difference are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction and are not retranslated.
- C. When preparing the parent company only financial statements, the assets and

liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

- D. On disposal of a foreign operation that result in a loss of control, joint control, or significant influence, all related to that foreign operation could attributed to equity of the Company's owners that will be reclassified as profit or loss.
- E. On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other equity is re-attributed to the non-controlling interests in that subsidiary. On any other partial disposal of a foreign operation, being the Company's ownership interest is reduced from an associate or a jointly controlled entity, that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other equity is reclassified to profit or loss.

#### **4.4 Classification of Current and Noncurrent Assets and Liabilities**

- A. Assets that meet one of the following criteria are classified as current assets:
  - (a) Assets that are expected to be realized, 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 realized within twelve months from the end of reporting period;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to liabilities more than twelve months after the balance sheet date.

The Company classifies all assets that do not meet the above criteria as noncurrent.

- B. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be within twelve months from the end of reporting period, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the above conditions as

noncurrent.

#### **4.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and 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.

#### **4.6 Financial Instruments**

Financial assets and liabilities shall be recognized when the Company becomes a party of the contractual provisions of the instruments.

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

##### **A. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

##### **(a) Measurement categories**

The category of the financial assets of the Company is financial assets at amortized cost.

##### **i. Financial assets at amortized cost**

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- (i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

(b) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, and contract assets.

The Company recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable, contract assets, and lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs for which there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(c) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- i. The contractual rights to receive cash flows from the financial asset expired.
- ii. The contractual rights to receive cash flows from the financial asset which have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- iii. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt investment measured at FVTOCI, the difference between the asset's carrying

amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an equity investment at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without being recycled to profit or loss.

## **B. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

## **C. Financial liabilities**

### **(a) Subsequent measurement**

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

### **(b) Derecognition of financial liabilities**

The Company derecognizes a financial liability when, and only when, it is extinguished—i.e. when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **(c) Modification of Financial Instruments**

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to

a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

#### **4.7 Inventories**

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

#### **4.8 Investments Accounted for Using the Equity Method**

- A. A subsidiary is an entity that is controlled by the Company (including structured entity). The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains and losses on transactions between the Company and subsidiaries have been eliminated proportionately to the subsidiaries' interests. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies applied by the Company.
- C. The Company's share of subsidiaries' profit or loss is recognized in the Company's statement of comprehensive income, and its share of subsidiaries' other comprehensive income is recognized in the Company's other comprehensive income. When the Company's share of losses in a subsidiary equal to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition as a financial asset or the cost on initial recognition of an associate or a joint venture. Any difference between the fair value and the carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified

to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary will be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

#### **4.9 Property, Plant and Equipment**

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized, for property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- B. Subsequent costs are included in the carrying amount of asset or recognized 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 derecognized. 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 straight-line method to allocate their cost over their estimated useful lives. The residual values of assets, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the residual values of assets and useful lives differ from previous estimates or the patterns of consumption of the future economic benefits of assets embodied in the assets which 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:

Land improvements	5 years
Buildings	3~35 years
Machinery	3~15 years
Other equipment	2 ~ 5 years

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **4.10 Leases**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

#### A. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

##### Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented as a separate line item in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

##### Lease liabilities

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the assessment of an option to purchase the underlying asset, amounts expected to be payable by the lessee under residual value guarantees or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company shall remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the

lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented separately in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

**B. The Company as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When a lease includes both land and buildings elements, the Company assesses the classification of each element as a finance lease or an operating lease separately allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as an operating lease.

Under operating leases, lease payments, less any lease incentives payable, are recognized as lease income on a straight-line basis over the lease terms. The initial direct costs incurred from received the operating lease plus to the carrying amount of the underlying asset adopted the same basic of lease income. The Company recognizes the lease payments as expense over the lease terms. The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification.

**4.11 Investment Property**

Investment properties are properties held to earn rentals and/or for capital appreciation and include land held for a currently undetermined future use (including property under construction for such purposes) and include land held for a currently undetermined future use.

Investment properties are measured at cost (including transaction costs) on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The investment properties are depreciated using the straight-line basis over 5 to 60 years.

Investment property that is being constructed or developed is measured at cost less accumulated impairment loss. The cost of an investment property includes professional

fees, borrowing costs eligible for capitalization. The properties shall start to depreciate as they achieve their expected condition for providing services.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

#### **4.12 Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: trademarks and patents - the patent term or the contract term; computer software 1 to 3 years. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **4.13 Impairment of non-financial assets**

The Company assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the carrying amount of asset exceeds its recoverable amount. The recoverable amount is the higher of a fair value of asset less costs to sell or value in use. When the indication of impairment loss recognized in prior years for an asset no longer exist, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

#### **4.14 Provisions**

Provisions are recognized 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. If the

provisions are measured at the estimated cash flow to settle the obligation, its carrying amounts are those present value of the cash flow.

#### **4.15 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 recognized as expenses in that period when the employees render service.

##### **B. Pensions**

###### **(a) Defined contribution plans**

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in 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 employee will receive on retirement for their services with the Company in current or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is estimated annually by independent actuaries using the projected unit credit method. The discount rate used is determined by using the market yields (at the end of the reporting period) on government bonds denominated in the currency in which the benefits are to be paid. The currency and term of the government bonds are consistent with the currency and estimated term of the obligation.
- ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

##### **C. Employees' compensation and directors' remuneration**

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amount can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

#### **4.16 Capital Stock and Treasury Stock**

##### **A. Capital stock**

Common stock is classified as equity. Incremental costs directly attributable to the

issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

**B. Treasury stock**

The Company's treasury stocks that have not been disposed or retired are stated at cost and shown as a deduction in stockholders' equity. When treasury stocks are sold, if the selling price is above the book value, the difference is credited to the capital surplus-treasury share transactions; if the selling price is below the book value, the difference is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The carrying value of treasury stocks is calculated using the weighted-average approach in accordance with the purpose of repurchase.

Upon retirement, treasury stocks are derecognized against the capital surplus - premium on stocks and capital stock proportionately according to the ratio of shares retired. The carrying value of treasury stock in excess of the sum of the par value and premium on stocks is first offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, is then debited to retained earnings. The sum of the par value and premium on treasury stocks in excess of the carrying value is credited to capital surplus from the same class of treasury share transactions.

**4.17 Income Tax**

- A.** The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity, respectively.
- B.** The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate 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 calculated in accordance with Income Tax Act of the Republic of China is levied on the unappropriated retained earnings and is recorded as income tax expense in the subsequent year when the stockholders approve to distribute retain earnings.
- C.** Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it 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 it does not give rise to equal deductible and

taxable temporary differences at the time of transaction. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent, unused tax losses and unused tax credits that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income 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 realize the asset and settle the liability simultaneously.

#### **4.18 Revenue Recognition**

The Company recognizes revenue based on the principle of revenue from customer contracts by applying the following steps:

- (a) Identifying the contract;
- (b) Identifying performance obligations;
- (c) Determine the transaction price;
- (d) Allocate the transaction price to performance obligation; and
- (e) Recognize revenue when a performance obligation is satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is within one year, the Company does not adjust the promised amount of consideration for the effect of a significant financing component.

##### **A. Revenue from sale of goods**

The Company sells nonwoven fabric material, bedding, and related products. Sales are recognized when control of the products has been transferred to the customers since the customers obtain the rights to list price, use the products and assure the obligation to resale them as well as to bear the risk of obsolescence. The Company recognizes revenue and accounts receivable on transferring the control of the products. Revenue is presented net of sales return, quantity discounts and sales

allowance.

The Company does not recognize sales revenue on materials delivered to processing subcontractors due to the delivery does not transfer control of materials.

#### **B. Service Revenue**

Service revenue is recognized when services are provided according to the relevant agreements.

#### **4.19 Government Grants**

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to noncurrent assets are recognized as noncurrent liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

#### **4.20 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

Other than the stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **4.21 Share-based payment transactions**

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 recognized as compensation cost over the vesting period, with a corresponding adjustment to equity.

### **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

The Company incorporates the economic impacts of climate change, related government policies and regulations, inflation, and market interest rate fluctuations into its significant accounting estimates. The Company will continue to review the fundamental assumptions and estimates. If the revision of estimates affects only the current period, they are recognized in the

period of revision. If the revision of accounting estimates affects both the current and future periods, they are recognized in both the current period and future periods.

In the preparation of these parent company only financial statements, the critical accounting judgments the Company has made, and the major sources of estimation and assumption uncertainty are described as follows:

## **5.1 Critical judgments in applying accounting policies**

### **A. Investment property**

The Company's properties are mainly held for owner-occupied, and some are held to earn rentals or for capital appreciation. If these portions could be sold separately, which will be disposal of as investment property and property, plant and equipment separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

### **B. Lease terms**

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the periods covered by the option, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Company occurs.

## **5.2 Critical accounting estimation and assumption**

### **A. Estimated impairment of financial assets**

The provision for impairment of accounts receivable and debt investments is based on assumptions on risk of default and expected loss rates. The Company makes these assumptions and selects inputs for the impairment calculation, based on the Company's historical experience and existing market conditions, as well as forward looking information. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

### **B. Realizability of deferred income tax assets**

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. The Company's management assesses the realizability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate and gross profit rate, the tax exemption period, available tax credits, and tax planning, etc. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax

assets.

**C. Evaluation of inventories**

As inventories are stated at the lower of cost or net realizable value, and the Company uses judgements and actuarial assumptions to determine the net realizable value of inventory at the end of each reporting period. The Company needs to exercise judgments and estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period, and then writes down the cost of inventories to net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

**D. Calculation of accrued pension obligations**

When calculating the present value of defined pension obligations, the Company uses judgements and actuarial assumptions to determine related estimates, including discount rates and future salary increase rate at the end of reporting period. Any changes in these assumptions may have a significantly impact on the carrying amount of defined pension obligation.

**E. The useful lives of the property, plant and equipment and investment property**

The property, plant and equipment and investment property are average amortized using the straight-line method. The Company regularly assesses the useful lives and residual value of the property, plant and equipment and investment property. A significant change in the relevant estimate would be adjusted for that period and the following years.

**F. Impairment assessment of tangible and intangible assets**

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

**G. The lessee's incremental borrowing rate**

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, guarantees, etc.) are also taken into account.

**6. CONTENTS OF SIGNIFICANT ACCOUNTS**

**6.1 CASH AND CASH EQUIVALENTS**

Items	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 394	\$ 330

Items	December 31, 2023	December 31, 2022
Checking accounts and demand deposits	\$ 129,256	\$ 110,067
Cash equivalents		
Time deposits	153,525	122,840
Total	<u>\$ 283,175</u>	<u>\$ 233,237</u>

- (1) The cash and cash equivalents of the Company are not pledged to others.
- (2) The Company inward remittance of \$8,000 thousand in accordance with the Regulations Governing the Investment of Repatriated Offshore Funds approved by the National Taxation Bureau, MOF, and submitted an investment plan to the MOEA on October 12, 2022. The approval letter was received on November 1, 2022. That amount is only used for the examined investment plan project under the relevant regulations, it should not be used for other purposes. As of December 31, 2023 and 2022, \$175,019 thousand and \$144,158 thousand were transferred to other current financial assets, respectively. As of December 12, 2022, \$76,954 thousand was transferred to other noncurrent financial assets.
- (3) Please refer to Note 12 for relevant credit risk management and assessment methods.

## 6.2 NOTES RECEIVABLE

Items	December 31, 2023	December 31, 2022
Gross carrying amount at amortized cost	\$ 8,850	\$ 10,639
Notes receivable, net	<u>\$ 8,850</u>	<u>\$ 10,639</u>

- (1) The Company has no notes receivable pledged to others.
- (2) Please refer to Note 6.3 for the loss allowance for notes receivable.

## 6.3 ACCOUNTS RECEIVABLE - NON-RELATED PARTIES

Items	December 31, 2023	December 31, 2022
Gross carrying amount at amortized cost	\$ 19,607	\$ 35,549
Less: loss allowance	(764)	(1,281)
Accounts receivable, net	<u>\$ 18,843</u>	<u>\$ 34,268</u>

- (1) The average credit period of sales of goods ranges from 30 to 90 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.
- (2) The Company has no accounts receivable pledged to others.
- (3) The Company applies the simplified approach to providing expected credit losses prescribed under IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses are estimated using an allowance matrix with reference to past default experiences of the debtor, an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the following provision matrix for loss allowance based on past due status is not further distinguished according to the Company's different customer base.
- (4) The following table detailed the loss allowance of notes and accounts receivable based on the Company's provision matrix (include related parties):

December 31, 2023

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 27,606	\$ -	\$ 27,606
Past due 1-90 days	3,009	-	3,009
Past due over 361 days	783	(764)	19
Total	<u>\$ 31,398</u>	<u>\$ (764)</u>	<u>\$ 30,634</u>

December 31, 2022

Aging terms	Gross carrying amount	Loss allowance (lifetime ECLs)	Amortized cost
Neither past due nor impaired	\$ 44,134	\$ -	\$ 44,134
Past due 1-90 days	1,981	-	1,981
Past due 91-180 days	842	-	842
Past due 181-360 days	246	(207)	39
Past due over 361 days	1,074	(1,074)	-
Total	<u>\$ 48,277</u>	<u>\$ (1,281)</u>	<u>\$ 46,996</u>

- (5) Movements of the loss allowance for notes and accounts receivable (including related parties') were as follows:

Items	2023	2022
Balance, January 1	\$ 1,281	\$ 770
Add : Provision for- impairment	-	538
Less: Write-offs	(517)	(27)
Balance, December 31	<u>\$ 764</u>	<u>\$ 1,281</u>

The Company did not hold any collaterals or other credit enhancements for these accounts receivable.

(6) Please refer to Note 12 for the relevant credit risk management and assessment methods.

#### 6.4 OTHER RECEIVABLES, NET - NON-RELATED PARTIES

Items	2023	2022
Gross carrying amount at amortized cost	\$ 3,748	\$ 3,073
Less: Loss allowance	(137)	(137)
Other receivables, net	<u>\$ 3,611</u>	<u>\$ 2,936</u>

#### 6.5 INVENTORIES AND OPERATING COSTS

Items	December 31, 2023	December 31, 2022
Raw materials	\$ 51,133	\$ 64,141
Work-in-process	130	2,465
Finished goods	20,443	41,687
Total	<u>\$ 71,706</u>	<u>\$ 108,293</u>

(1) The cost of inventories recognized as expense for the period:

Items	2023	2022
Loss on decline (gain on reversal) in market value of inventories	\$ (2,252)	\$ 1,888
Inventories gain on physical taking	(16)	(954)
Loss on inventory disposed	2,086	71
Unallocated Production overheads	71,472	27,657
Total	<u>\$ 71,290</u>	<u>\$ 28,662</u>

(2) The Company has no inventories pledged to others.

## 6.6 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method consisted of the following:

Items	December 31, 2023	December 31, 2022
Subsidiaries – Investments accounted for using equity method	\$ 3,057,842	\$ 2,816,176
Subsidiaries – Credit balance of Investments accounted for using equity method	(11,768)	-
Total	\$ 3,046,074	\$ 2,816,176

Subsidiaries consisted of the following:

Investee companies	December 31, 2023		December 31, 2022	
	Amount	Equity ratio	Amount	Equity ratio
<u>Investments accounted for using equity method</u>				
SHINIH HOLDING CO., LTD.	\$ 2,321,865	100%	\$ 2,060,585	100%
SHINIH VIETNAM COMPANY LTD.	216,331	100%	258,486	100%
SUNBURST INTERNATIONAL LTD.	14,328	100%	12,233	100%
VFT INC.	289,529	100%	269,512	100%
DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	-	100%	41,844	100%
KUREHA (THAILAND) CO., LTD.	82,374	50%	78,210	50%
SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. (NOTE 1)	31,854	11%	18,241	11%
TAIWAN KUREHA CO., LTD.	34,349	84.62%	27,208	84.62%
INTERBOND CO., LTD.	1,206	100%	1,324	100%
SHINIH USA INC.	66,006	100%	48,533	100%
Total	\$ 3,057,842		\$ 2,816,176	
<u>Credit balance of Investments accounted for using equity method</u>				
DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	\$ (11,768)	100%	\$ -	100%
Total	\$ (11,768)		\$ -	

NOTE 1: The consolidated shareholding of the Company and subsidiary SHINIH HOLDING CO., LTD. (please refer to Table 8 for relevant information) is 100%.

- (1) For the information of the subsidiaries of the Company, please refer to Note 4.3 of 2023 consolidated financial statements.
- (2) The shares of profit or loss and other comprehensive profit and loss of the subsidiaries under equity method for the years ended 2023 and 2022 are recognized according to the audited financial statements for the same periods.
- (3) In November 2022, Shinih Fiber Products (Suzhou) Co., Ltd., jointly owned by the

Company and SHINIH HOLDING CO., LTD., entered into an agreement for land expropriation and compensation with the Taicang Municipal People's Government. The agreement encompasses compensation for the acquisition of land use rights, buildings and its facilities, as well as for the discontinuation of operations and business activities, the dissolution of employment agreements, and associated relocation costs. By March 2023, Shinih Fiber Products (Suzhou) Co., Ltd. had finalized the pertinent agreement and received the entire payment amount. Please refer to Note 6.26 of the consolidated financial statements for the relevant information.

- (4) In November 2022, Taixin Fiber Products (Suzhou) Co., Ltd., owned by the Company through SHINIH HOLDING CO., LTD., entered into an agreement for land expropriation and compensation with the Taicang Municipal People's Government. The agreement encompasses compensation for the acquisition of land use rights, buildings and its facilities, as well as for the discontinuation of operations and business activities, the dissolution of employment agreements, and associated relocation costs. By December 2022, Taixin Fiber Products (Suzhou) Co., Ltd., had finalized the pertinent agreement and received the entire payment amount. Please refer to Note 6.26 of the consolidated financial statements for the relevant information.

## 6.7 PROPERTY, PLANT AND EQUIPMENT

Items	December 31, 2023	December 31, 2022
Land	\$ 438,525	\$ 438,525
Land improvements	7,465	6,931
Buildings	207,636	204,231
Machinery	804,703	668,229
Other equipment	59,660	53,019
Equipment to be inspected and construction in progress	455,119	520,419
Total cost	1,973,108	1,891,354
Less: Accumulated depreciation and impairment	(546,140)	(481,802)
Total	\$ 1,426,968	\$ 1,409,552

	Land	Land improvements	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Cost							
Balance, January 1, 2023	\$ 438,525	\$ 6,931	\$ 204,231	\$ 668,229	\$ 53,019	\$ 520,419	\$ 1,891,354
Additions	-	-	1,716	6,899	421	83,772	92,808

	Land	Land improvements	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
Disposals	\$ -	\$ -	\$ -	\$ (10,419)	\$ (635)	\$ -	\$ (11,054)
Reclassification (Note)	-	534	1,689	139,994	6,855	(149,072)	-
Balance, December 31, 2023	\$ 438,525	\$ 7,465	\$ 207,636	\$ 804,703	\$ 59,660	\$ 455,119	\$ 1,973,108
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2023	\$ -	\$ 3,189	\$ 98,054	\$ 340,010	\$ 40,549	\$ -	\$ 481,802
Depreciation expense	-	1,315	7,992	60,788	3,444	-	73,539
Disposals	-	-	-	(8,566)	(635)	-	(9,201)
Balance, December 31, 2023	\$ -	\$ 4,504	\$ 106,046	\$ 392,232	\$ 43,358	\$ -	\$ 546,140

	Land	Land improvements	Buildings	Machinery	Other equipment	Equipment to be inspected and construction in progress	Total
<u>Cost</u>							
Balance, January 1, 2022	\$ 438,525	\$ 12,670	\$ 199,245	\$ 409,956	\$ 49,075	\$ 600,894	\$ 1,710,365
Additions	-	-	851	7,152	2,033	178,588	188,624
Disposals	-	(5,739)	-	(1,109)	(24)	-	(6,872)
Reclassification (Note)	-	-	4,135	252,230	1,935	(259,063)	(763)
Balance, December 31, 2022	\$ 438,525	\$ 6,931	\$ 204,231	\$ 668,229	\$ 53,019	\$ 520,419	\$ 1,891,354
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2022	\$ -	\$ 7,649	\$ 90,456	\$ 230,921	\$ 37,430	\$ -	\$ 366,456
Depreciation expense	-	1,279	7,598	60,227	3,143	-	72,247
Disposals	-	(5,739)	-	(1,104)	(24)	-	(6,867)
Impairment loss	-	-	-	49,966	-	-	49,966
Balance, December 31, 2022	\$ -	\$ 3,189	\$ 98,054	\$ 340,010	\$ 40,549	\$ -	\$ 481,802

Note : Reclassification in 2022 was transferring assets into investment property in the amount of \$763.

(1) The reconciliations of the current additions and the property, plant and equipment stated in the statement of cash flow are as follows:

Items	2023	2022
Additions to the property, plant and equipment	\$ 92,808	\$ 188,624
(Increase) decrease in payables to contractor and equipment suppliers	14,951	(6,706)
Payments for acquisition of property, plant and equipment	\$ 107,759	\$ 181,918

(2) Please refer to Note 6.24 for information on capitalization of interest.

(3) Please refer to Note 8 for property, plant and equipment pledged by the Company as a guarantee for loans.

## 6.8 LEASE AGREEMENT

### (1) Right-of-use assets

Items	December 31, 2023	December 31, 2022
Buildings	\$ 11,672	\$ 11,672
Total cost	11,672	11,672
Less: Accumulated depreciation and impairment	(3,072)	(2,457)
Total	\$ 8,600	\$ 9,215

	Buildings	Total
Cost		
Balance, January 1, 2023	\$ 11,672	\$ 11,672
Balance, December 31, 2023	\$ 11,672	\$ 11,672
Accumulated depreciation and impairment		
Balance, January 1, 2023	\$ 2,457	\$ 2,457
Depreciation expense	615	615
Balance, December 31, 2023	\$ 3,072	\$ 3,072

	Buildings	Total
Cost		
Balance, January 1, 2022	\$ 11,672	\$ 11,672
Balance, December 31, 2022	\$ 11,672	\$ 11,672
Accumulated depreciation and impairment		
Balance, January 1, 2022	\$ 1,843	\$ 1,843
Depreciation expense	614	614
Balance, December 31, 2022	\$ 2,457	\$ 2,457

### (2) Lease liabilities

Items	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	\$ 578	\$ 570
Noncurrent	\$ 8,306	\$ 8,884

Range of discounts rate for lease liabilities is as follow:

	December 31, 2023	December 31, 2022
Buildings	1.40%	1.40%

Please refer to Note 12 for the maturity analysis of the lease liabilities.

(3) Other lease information

- A. The Company leases the investment properties under operating lease agreements, please refer to Note 6.9 investment property.
- B. The Company elected to apply the recognition exemption to short-term leases and low-value asset leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases in 2023 and 2022. Details for the relevant expense are as follows:

Items	2023	2022
Expenses relating to short-term leases	\$ 496	\$ 298
Total cash outflow for leases	\$ 1,196	\$ 998

## 6.9 INVESTMENT PROPERTY

Items	December 31, 2023	December 31, 2022
Land	\$ 230,165	\$ 230,165
Buildings	166,126	166,126
Total cost	396,291	396,291
Less: Accumulated depreciation	(144,353)	(141,387)
Investment property, net	\$ 251,938	\$ 254,904

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2023	\$ 230,165	\$ 166,126	\$ 396,291
Balance, December 31, 2023	<u>\$ 230,165</u>	<u>\$ 166,126</u>	<u>\$ 396,291</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2023	\$ -	\$ 141,387	\$ 141,387
Depreciation expense	-	2,966	2,966
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 144,353</u>	<u>\$ 144,353</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2022	\$ 230,165	\$ 165,363	\$ 395,528
Additions	-	763	763
Balance, December 31, 2022	<u>\$ 230,165</u>	<u>\$ 166,126</u>	<u>\$ 396,291</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2022	\$ -	\$ 138,098	\$ 138,098
Depreciation expense	-	3,289	3,289
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 141,387</u>	<u>\$ 141,387</u>

A. Rental revenue and direct operating expenses from investment property:

Items	2023	2022
Rental revenue from investment properties	<u>\$ 31,605</u>	<u>\$ 33,983</u>
Direct operating expenses arising from the investment of property that generated rental revenue during the period	<u>\$ 5,046</u>	<u>\$ 5,803</u>
Total	<u>\$ 5,046</u>	<u>\$ 5,803</u>

B. The Company will receive the total rent from leasing the investment properties under the operating lease agreement as follows:

Items	December 31, 2023	December 31, 2022
Within 1 year	\$ 11,890	\$ 28,374
More than 1 year but less than 5 years	14,870	13,169
More than 5 years	4,009	5,751
Total	\$ 30,769	\$ 47,294

C. The investment properties held by the Company are not measured at fair value, but only disclosed its fair value information. Its fair value hierarchy is Level 3. The fair values of the Company's investment properties were \$1,197,000 thousand and \$1,116,000 thousand respectively as of December 31, 2023 and 2022. Those fair values were assessed by the Company's management by reference to the transaction prices of similar properties, but did not be assessed by independent valuer.

D. Please refer to Note 8 for investment properties pledged by the Company as a guarantee for loans.

## 6.10 INTANGIBLE ASSETS

Items	December 31, 2023	December 31, 2022
Computer software	\$ 2,527	\$ 13,729
Other intangible assets - spunbond technology and rights	7,392	7,392
Total costs	9,919	21,121
Less: Accumulated amortization	(2,096)	(13,364)
Total	\$ 7,823	\$ 7,757

Other intangible assets, such as proprietary spunbond technology and the rights associated with it, are assessed to have an indefinite useful lives. Consequently, these assets are exempt from amortization and are rigorously tested for impairment on an annual basis, with no evidence of impairment detected to date.

Items	2023		
	Computer software	Spunbond technology and rights	Total
Cost			
Balance, January 1	\$ 13,729	\$ 7,392	\$ 21,121

Items	2023		
	Computer software	Spunbond technology and rights	Total
Additions	\$ 1,651	\$ -	\$ 1,651
Disposals	(12,853)	-	(12,853)
Balance, December 31	<u>\$ 2,527</u>	<u>\$ 7,392</u>	<u>\$ 9,919</u>
Accumulated amortization and impairment			
Balance, January 1	\$ 13,364	\$ -	\$ 13,364
Amortization expense	1,585	-	1,585
Disposals	(12,853)	-	(12,853)
Balance, December 31	<u>\$ 2,096</u>	<u>\$ -</u>	<u>\$ 2,096</u>

Items	2022		
	Computer software	Spunbond technology and rights	Total
Cost			
Balance, January 1	\$ 12,685	\$ 7,392	\$ 20,077
Additions	1,044	-	1,044
Balance, December 31	<u>\$ 13,729</u>	<u>\$ 7,392</u>	<u>\$ 21,121</u>
Accumulated amortization and impairment			
Balance, January 1	\$ 12,232	\$ -	\$ 12,232
Amortization expense	1,132	-	1,132
Balance, December 31	<u>\$ 13,364</u>	<u>\$ -</u>	<u>\$ 13,364</u>

## 6.11 SHORT-TERM LOANS

The nature of loans	December 31, 2023	December 31, 2022
Unsecured loans	\$ 700,000	\$ 330,687
Secured loans	90,000	120,000
Total	<u>\$ 790,000</u>	<u>\$ 450,687</u>
Interest rate range	<u>1.76%~1.95%</u>	<u>1.50%~6.50%</u>

Please refer to Note 8 for the assets pledged by the Company as a guarantee for the abovementioned loans.

## 6.12 OTHER PAYABLES

Items	December 31, 2023	December 31, 2022
Salaries and bonuses payable	\$ 28,058	\$ 25,565
Payable for equipment and construction	4,837	19,788
Compensation payable to employees and directors	7,300	9,640
Others	25,850	30,439
Total	<u>\$ 66,045</u>	<u>\$ 85,432</u>

## 6.13 LONG-TERM LOANS AND CURRENT PORTION

The nature of loans	December 31, 2023	December 31, 2022
Secured loans	\$ 973,750	\$ 1,140,000
Less: Current portion	(178,333)	(166,250)
Total	<u>\$ 795,417</u>	<u>\$ 973,750</u>
Interest rate range	<u>1. 90%~2. 37%</u>	<u>1. 65%~2. 02%</u>
Year to maturity	<u>2025~2027</u>	<u>2024~2027</u>

- The method of repayment for the Company's long-term loans is paid in instalments to Chang Hwa Bank and Bank of Shanghai. The principal amount will be paid in full to KGI Bank at the maturity date.
- Please refer to Note 8 for the assets pledged by the Company as a guarantee for the abovementioned loans.

## 6.14 RETIREMENT BENEFIT PLANS

### (1) Defined contribution plans

- The employee pension plan under the Labor Pension Act of the R.O.C. (the Act) is a defined contribution plan. Pursuant to the plan, the Company has made monthly contributions equal to 6% of each employee's salary to employees' pension accounts.
- The Company recognized expenses in the parent company only statements of comprehensive income were \$6,525 thousand and \$6,140 thousand under the

contributions rates specified in the plans in 2023 and 2022, respectively.

(2) Defined benefit plans

A. The Company has a defined benefit plans in accordance with the Labor Standards Law of the R.O.C. 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 has made monthly contributions equal to 2% of each employee' salary to employees' pension accounts, which submit to the Labor Retirement Reserve Supervisory Committee to the retirement fund deposited in Bank of Taiwan under the name of the committee. The Fund is managed by the Government's designated authorities and the Company have no right to influence their investment strategies.

B. Amounts recognized in the parent company only balance sheets are as follows:

Items	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 13,809	\$ 14,052
Fair value of plan assets	(12,889)	(13,168)
Net defined benefit liability	\$ 920	\$ 884

C. Movements in net defined benefit liability are as follows:

Items	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	\$ 14,052	\$ (13,168)	\$ 884
Service costs			
Interest expense (revenue)	168	(158)	10
Amounts recognized in profit and loss	168	(158)	10
Remeasurements			
Return on plan assets (Amounts included in interest income or expense is excluded)	-	(126)	(126)
Actuarial (gains) losses			
Effect of changes in financial assumptions	124	-	124
Experience adjustments	73	-	73

2023			
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Amounts recognized in other comprehensive income (losses)	\$ 197	\$ (126)	\$ 71
Pension fund contributions	-	(45)	(45)
Paid pension	(608)	608	-
Balance, December 31	\$ 13,809	\$ (12,889)	\$ 920

2022			
Items	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1	\$ 16,587	\$ (12,818)	\$ 3,769
Service costs			
Current service cost	46	-	46
Interest expense (revenue)	106	(80)	26
Amounts recognized in profit and loss	152	(80)	72
Remeasurements			
Return on plan assets (Amounts included in interest income or expense is excluded)	-	(1,001)	(1,001)
Actuarial (gains) losses			
Effect of changes in financial assumptions	(840)	-	(840)
Experience adjustments	116	-	116
Amounts recognized in other comprehensive income (losses)	(724)	(1,001)	(1,725)
Pension fund contributions	-	(1,232)	(1,232)
Paid pension	(1,963)	1,963	-
Balance, December 31	\$ 14,052	\$ (13,168)	\$ 884

The pension costs of the aforementioned defined benefit plans are recognized in profit or loss by the following categories:

Items	2023	2022
Operating costs	\$ 10	\$ 72
Total	\$ 10	\$ 72

Information about fair value of plan assets are as follows:

Item	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 12,889	\$ 13,168

D. Because of the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. at the discretion of the Bureau of Labor Funds of Ministry of Labor, or under the mandated management. However, under the Labor Standards Law, the rate of return on plan assets shall not be less than the average interest rate on a two-year time deposit published by the local banks.

(b) Interest risk

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

(c) Salary risk

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

E. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on measurement date were as follows:

Items	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.30%
Expected salary increase rate	1.50%	1.50%

Reasonably possible changes to the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Items	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.5%	\$ (608)	\$ (674)
Decrease 0.5%	635	703
Expected salary increase rate		
Increase 0.5%	621	674
Decrease 0.5%	(594)	(632)

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

- F. The Company expects to make a contribution to its defined benefit pension plans next year is \$41 thousand in 2024. The weighted average maturity period of the defined benefit obligation is 8.7 years.

#### 6.15 COMMON STOCKS

- (1) As of December 31, 2023, the Company's authorized capital was \$2,000,000 thousand, consisting of 200,000 thousand shares, and the total amount of paid-in capital was \$1,091,071 thousand with a nominal value of \$10 each. The number of shares issued by the Company has been fully paid-up.
- (2) The reconciliation of the number and amount of the Company's common stocks outstanding is as follows:

Items	2023	2022
On January 1	105,908	106,170
Purchase of treasury stock	-	(567)
Subscription of treasury stock by employees	-	305
On December 31	105,908	105,908

#### 6.16 CAPITAL SURPLUS

Items	December 31, 2023	December 31, 2022
Additional paid-in capital arising from bond conversion	\$ 213,926	\$ 213,926
Recognition of changes in ownership	4	4

Items	December 31, 2023	December 31, 2022
interest in subsidiaries		
Others	\$ 16,844	\$ 16,844
Total	\$ 230,774	\$ 230,774

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including additional paid-in capital from issuance of common stocks and additional paid-in capital arising from bond conversion) and from donations can be used to offset deficit or may be distributed as stock dividends or cash dividends. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's capital surplus. Capital surplus can't be used to offset deficit unless legal capital reserve is insufficient. The capital surplus from shares of changes in equities and stock options may not be used for any purpose.

#### 6.17 RETAINED EARNINGS AND DIVIDEND POLICY

- (1) According to the Company's Article of Incorporation, the current year's earnings, if any, shall first pay taxes, offset its operating losses, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's paid-in capital then reversal or set aside a special capital reserve in accordance with relevant laws or as requested by the authorities in charge. Any balance left over shall be allocated with unappropriated earnings submitted by the Board of Directors to be approved at a shareholders' meeting to distribute dividend to shareholders.

The distribution of dividends and bonuses to shareholders, or the disbursement of the full amount or a portion of the statutory capital reserve designated for retained earnings as mandated by Article 241, Paragraph 1 of the Company Act, shall be executed in monetary form. The Board of Directors holds the authority to enact such distributions pursuant to a decree established under Article 240 of the Company Act, with an obligation to report on these actions at the subsequent shareholders' meeting.

Cash dividends distribute the allocation of the abovementioned dividends as a priority, but it depends on the proportion of cash dividends on the Company's capital expenditure plan. Among these, the aggregate proportion of capitalization of retained earnings and capital surplus transferred to common stock should not exceed 90% of the total dividends for the year.

- (2) Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal capital reserve shall not be used for any

other purpose. The use of legal capital reserve for the issuance of new stocks or cash to shareholders in proportion to their share ownership is limited to the portion in excess of 25% of the Company's paid-in capital.

(3) Special capital reserve

Items	December 31, 2023	December 31, 2022
Provisions on initial application of IFRSs	\$ 106,123	\$ 106,123
Provisions on debited other equity	-	42,838
Total	\$ 106,123	\$ 148,961

A. In accordance with the regulation, the Company shall set aside special capital reserve from the debit balance on other equity item at the end of the year before distributing earnings. When debit balance on other equity is reversed subsequently, the reversed amount could be included in the distributable earnings.

B. The amounts set aside by the Company as \$106,123 thousand of special capital reserve on the initial application of IFRSs in accordance with rule NO.1010012865 issued by the FSC, dated April 6, 2012, are unrealized revaluation reserve transferred to retained earnings, shall be reversed proportionately to retained earnings when the relevant assets are used, disposed of or reclassified subsequently.

(4) The appropriations of 2022 and 2021 earnings have been approved by shareholders' meetings held on March 24, 2023, and March 25, 2022, respectively. The appropriations of earnings and dividends per share were as follows:

Items	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal capital reserve	\$ 22,597	\$ 51,321		
Special capital reserve	(42,838)	33,032		
Cash dividends	111,204	105,603	\$ 1.05	\$ 1.00
Total	\$ 90,963	\$ 189,956		

The abovementioned legal capital reserve and special capital reserve have been approved by shareholder's meeting held on June 16, 2023, and June 17, 2022, respectively.

(5) The Company's appropriation of earnings for 2023 had been approved in the Board

meeting held on March 11, 2024. The appropriations of earnings were as follows:

Items	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal capital reserve	\$ 15,772	
Cash dividends	63,545	\$ 0.60
Total	<u>\$ 79,317</u>	

The abovementioned legal capital reserve and special capital reserve are to be presented for approval in the shareholders' meeting held on June 14, 2024.

- (6) Information on the resolution of the Board and shareholders meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

## 6.18 OTHER EQUITY

### A. Exchange differences on translation of foreign operations

Items	2023	2022
Balance, January 1	\$ 44,643	\$ (42,838)
Exchange differences on translation of foreign operations	(31,493)	109,351
Income taxes arising from exchange differences on translation of foreign operations	6,299	(21,870)
Balance, December 31	<u>\$ 19,449</u>	<u>\$ 44,643</u>

The exchange difference arising from the translation of the net assets of foreign operations from their functional currency to the presentation currency of the Company is recognized directly in other comprehensive income and accumulated to the exchange differences arising from exchange differences on translation of foreign operations. Those previous exchange differences will be reclassified to profit or loss when the disposal of foreign operations.

## 6.19 TREASURY STOCK

- Reasons for share repurchase and movements in the number of the treasury stock are as follows:

(Unit: Shares in thousand)

Reasons for share repurchase	2023		
	Balance, January 1	Increase (decrease) during the year	Balance, December 31
To be reissued to employees	3,199	-	3,199

  

Reasons for share repurchase	2022		
	Balance, January 1	Increase (decrease) during the year	Balance, December 31
To be reissued to employees	2,937	262	3,199

- (1) The Company held the Board meeting on November 9, 2021, when the board approved repurchasing the Company's common stock and transfer to employees. It is estimated to repurchase 5,000 shares. The repurchase terms are from November 10, 2021, to January 9, 2022, with the value ranging from \$15.65 to \$33.05. There are 3,504 thousand treasury stocks during the repurchase period; the average price is \$23.41 for each for \$82,028 thousand. As of December 31, 2023, the Company has transferred 305 thousand shares; the remaining repurchase amount is \$74,888 thousand.
- (2) The Company transferred treasury stock to employees under the Regulation of Transferring the Repurchased Treasury Stock approved by the board on August 9, 2022. The transfer price was the actual repurchased price of \$23.41. The subscription benchmark date was August 9, 2021, and the price per share was \$20.50 on the subscription benchmark date. The fair value of the subscription per share was \$0. As of December 31, 2023, there were 305 thousand shares for transferred shares with fully paid. All of them are transferred.
- (3) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued, outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (4) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and are not entitled to dividends before they are reissued.
- (5) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should be reissued to the employees within five years from the repurchase date and shares not reissued within the three-year period are to be retired.

## 6.20 OPERATING REVENUE

Items	2023	2022
Revenue from contracts with customers		
Sale of goods	\$ 265,435	\$ 409,943
Subtotal	265,435	409,943
Rental revenue		
Rental revenue from property	31,605	33,983
Total	\$ 297,040	\$ 443,926

A. Description of customer contract

The customer agreement delineates the revenue generated from the sales of nonwoven and insulation materials. The primary clients encompasses purchasers of the produced apparel and industrial materials. Transactions are conducted at prices specified within the contractual agreement. The financial consideration received is categorized as short-term receivables and is consequently valued at the invoiced amount.

B. Disaggregation of revenue from contracts with customers

The Company classifies revenue from the following categories of main products:

Items	2023	2022
<u>Major products/Service line</u>		
Nonwoven material	\$ 260,245	\$ 398,096
Bedding and others	5,190	11,847
Total	\$ 265,435	\$ 409,943
<u>Timing of revenue recognition</u>		
Performance obligation satisfied at a point in time	\$ 265,435	\$ 409,943

C. Contract balances

The Company recognizes contract liabilities related to the revenue from contracts with customers as follows:

Items	December 31, 2023	December 31, 2022
Contract liabilities		
- current	\$ 6,198	\$ 7,327

## 6.21 PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

By nature	2023			2022		
	Cost of sales	Operating expense	Total	Cost of sales	Operating expense	Total
Employee benefit expenses						
Salary	\$ 52,515	\$ 99,658	\$ 152,173	\$ 64,284	\$ 88,512	\$ 152,796
Insurance	7,371	8,622	15,993	7,241	8,540	15,781
Pension	2,124	4,411	6,535	2,228	3,984	6,212
Remuneration to directors	-	3,411	3,411	-	3,685	3,685
Others	2,224	2,779	5,003	2,694	2,496	5,190
Depreciation	24,770	52,350	77,120	35,726	40,424	76,150
Amortization	-	1,585	1,585	-	1,132	1,132
Total	\$ 89,004	\$ 172,816	\$ 261,820	\$ 112,173	\$ 148,773	\$ 260,946

A. The average number of employees of the Company in 2023 and 2022 were 265 and 249, respectively. Among them, the numbers of non-employee Directors were 4, respectively. The average employee benefits expenses were \$689 thousand and \$735 thousand for 2023 and 2022, respectively. The average salaries were \$583 thousand and \$624 thousand for 2023 and 2022, respectively. The average salaries in 2023 and 2022 decreased by 6.57%.

B. The salary and remuneration policy of the Company

(a) Directors' remuneration

According to the Company's Articles of Incorporation, the Company may pay remuneration to directors when they perform their duties for the Company, regardless of the Company's operating profit or loss. The remuneration is authorized by the Board according to their degree of participation and contribution to the Company's operation and the usual level of the same industry. All directors may receive travel expenses according to the actual situation.

(b) Managers' remuneration

Managers' remuneration is paid according to the Company's employee salary regulations, and is reviewed by the Remuneration Committee and submitted to the Board for resolution.

(c) Employees' compensation

The salary and remuneration of employees include monthly salary, retirement pension, bonus and employee compensation, which are paid according to their duties, contributions, performance and responsibilities.

- C. The profit before tax represents the amount before the Company deducts the employee's and directors' remuneration for the year. The Company is stipulated to distribute compensation of employees at the rate between 1% to 5% of profit before tax, and directors' remuneration at the rate not higher than 3% of profit before tax. If there is a change in the proposed amount after the annual financial statement are authorized for issue, the difference is recorded as a change in accounting estimate and adjusted in the next fiscal year. The number of employee stock compensation shares is calculated based on the closing price of the day before the board resolution date of the following year and taking into account the effects of ex-rights and ex-dividend.
- D. The appropriations of employees' compensation and directors' remuneration for 2023 and 2022 have been approved by the board of directors held on March 11, 2024, and March 24, 2023, respectively. The amount of approved and recognized in financial statement is shown as follows.

	2023		2022	
	Employees' compensation	Directors' remuneration	Employees' compensation	Directors' remuneration
Amounts approved	\$ 5,200	\$ 2,100	\$ 7,230	\$ 2,410
Amounts recognized in financial statement	5,200	2,100	7,230	2,410
Difference	\$ -	\$ -	\$ -	\$ -

The aforementioned employees' compensation is distributed in cash.

- E. Information regarding employees' compensation and directors' remuneration of the Company is available from the Market Observation Post System on the website of the TWSE.

## 6.22 OTHER INCOME

Items	2023	2022
Management fees income	\$ 28,852	\$ 23,134
Commission income	4,701	7,505
Others	13,118	9,621

Items	2023	2022
Total	\$ 46,671	\$ 40,260

### 6.23 OTHER GAINS AND LOSSES

Items	2023	2022
Foreign exchange gains, net	\$ 2,864	\$ 39,539
Gain on disposal of property, plant and equipment	230	274
Impairment loss on property, plant and equipment	-	(49,966)
Others	(44)	(5)
Total	\$ 3,050	\$ (10,158)

### 6.24 FINANCIAL COSTS

Items	2023	2022
Interest expense		
Bank loans	\$ 33,700	\$ 21,293
Interest on lease liabilities	130	137
Less: Capitalized amount for qualified assets	(10,267)	(6,991)
Financial costs	\$ 23,563	\$ 14,439
Interest capitalization rates	1.99%	1.43%

### 6.25 INCOME TAX

#### A. Income tax expense

##### (1) Components of income tax expense

Items	2023	2022
Tax on unappropriated earnings	\$ 6,750	\$ 16,163
Adjustments on prior years	-	2,401
Deferred income tax related to temporary differences and unused loss carryforwards	39,261	(11,843)

Items	2023	2022
Income tax expense recognized in profit or loss	\$ 46,011	\$ 6,721

(2) Income tax expenses (benefits) recognized in other comprehensive income

Items	2023	2022
Exchange differences on translation of foreign operations	\$ (6,299)	\$ 21,870
Remeasurements of defined benefit plans	(15)	345
Total	\$ (6,314)	\$ 22,215

B. Reconciliation between accounting profit and income tax expense recognized in profit or loss:

Items	2023	2022
Income before tax	\$ 203,625	\$ 231,121
Income tax expense at the statutory rate	\$ 40,725	\$ 46,224
Tax effect of adjusting items:		
Deductible items in determining taxable income	(40,725)	(46,224)
Repatriated offshore funds	-	-
Income tax on unappropriated earnings	6,750	16,163
Income tax adjustments on prior years	-	2,401
Deferred income tax related to temporary differences	39,261	(11,843)
Income tax expense recognized in profit or loss	\$ 46,011	\$ 6,721

The profit-seeking enterprise income tax rate for entities subject to the ROC is 20%, and the tax rate for unappropriated earnings is 5%.

C. Income tax assets and liabilities:

Items	December 31, 2023	December 31, 2022
Income tax assets	\$ 13,685	\$ 12,376
Income tax liabilities	\$ 7,832	\$ 16,262

D. Deferred tax assets or liabilities arising from temporary differences, operating loss carryforward, and investment tax credit:

Items	2023			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on inventories	\$ 6,084	\$ (451)	\$ -	\$ 5,633
Net defined benefit liability	693	(7)	15	701
Investment income and unrealized profits/losses of subsidiaries	11,985	10,372	-	22,357
Exchange differences on translation of foreign operations	9,810	-	6,299	16,109
Impairment loss	9,683	1,064	-	10,747
Unrealized profit on debt conversion	40,851	(132)	-	40,719
Others	858	(85)	-	773
Total	<u>\$ 79,964</u>	<u>\$ 10,761</u>	<u>\$ 6,314</u>	<u>\$ 97,039</u>

Deferred income tax liabilities				
Provision on land value increment tax	\$ (65,107)	\$ -	\$ -	\$ (65,107)
Unrealized exchange gain	(4,542)	533	-	(4,009)
Investment income and unrealized profits/losses of subsidiaries	<u>(11,844)</u>	<u>(50,556)</u>	<u>-</u>	<u>(62,400)</u>

Items	2023			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Total	\$ (81,493)	\$ (50,023)	\$ -	\$ (131,516)

Items	2022			
	January 1	Recognized in (losses) gains	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Operating loss carryforward	\$ 2,987	\$ (2,987)	\$ -	\$ -
Temporary differences				
Unrealized loss on inventories	5,706	378	-	6,084
Net defined benefit liability	1,270	(232)	(345)	693
Investment income and unrealized profits/losses of subsidiaries	-	11,985	-	11,985
Exchange differences on translation of foreign operations	31,680	-	(21,870)	9,810
Impairment loss	-	9,683	-	9,683
Unrealized profit on debt conversion	40,984	(133)	-	40,851
Others	2,165	(1,307)	-	858
Total	\$ 84,792	\$ 17,387	\$ (22,215)	\$ 79,964

Deferred income tax liabilities				
Provision on land value increment tax	\$ (65,107)	\$ -	\$ -	\$ (65,107)
Unrealized exchange gain	-	(4,542)	-	(4,542)
Investment income and unrealized profits/losses of subsidiaries	(10,842)	(1,002)	-	(11,844)
Total	\$ (75,949)	\$ (5,544)	\$ -	\$ (81,493)

The income tax returns of the Company have examined through 2021 by tax authority.

## 6.26 OTHER COMPREHENSIVE INCOME

Items	2023		
	Before tax	Income tax (expense)	After tax
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$ (71)	\$ 15	\$ (56)
Remeasurements of the defined benefit plans of subsidiaries recognized by the equity method	166	-	166
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(31,493)	6,299	(25,194)
<b>Total</b>	<b>\$ (31,398)</b>	<b>\$ 6,314</b>	<b>\$ (25,084)</b>

Items	2022		
	Before tax	Income tax (expense)	After tax
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$ 1,725	\$ (345)	\$ 1,380
Remeasurements of the defined benefit plans of subsidiaries recognized by the equity method	186	-	186
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	109,351	(21,870)	87,481
<b>Total</b>	<b>\$ 111,262</b>	<b>\$ (22,215)</b>	<b>\$ 89,047</b>

## 6.27 EARNINGS PER SHARE

Items	2023	2022
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ 157,614	\$ 224,400
Weighted average shares outstanding (in thousands)	105,908	105,731

Items	2023	2022
Basic earnings per share (after tax) (in dollars)	\$ 1.49	\$ 2.12
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ 157,614	\$ 224,400
Net income for calculating diluted earnings per share	\$ 157,614	\$ 224,400
Weighted average shares outstanding (in thousands)	105,908	105,731
Effect of dilutive potential common shares		
Employees' compensation (in thousands)	338	523
Weighted average shares outstanding for diluted earnings per share (in thousands)	106,246	106,254
Diluted earnings per share (after tax) (in dollars)	\$ 1.48	\$ 2.11

If the Company is able to settle the employee compensation by cash or stocks, the employee compensation should be assumed to be settled in stocks and the resulting potential shares increased should be included in the weighted average shares outstanding in calculation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted earnings per share until employee compensation is approved in the following year.

## 7. RELATED PARTY TRANSACTIONS

### A. Names of related parties and relationship

Names of related parties	Relationship with the Company
TAIWAN KUREHA CO., LTD. (TAIWAN KUREHA)	Subsidiaries
SHINIH HOLDING CO., LTD. (HOLDING)	Subsidiaries
SUNBURST INTERNATIONAL LTD.	Subsidiaries
VFT INC. (VFT)	Subsidiaries
KUREHA (THAILAND) CO., LTD.	Subsidiaries
SHINIH USA INC. (USA HOLDING)	Subsidiaries
SHINIH VIETNAM COMPANY LTD.	Subsidiaries

Names of related parties	Relationship with the Company
DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD. (DONG GUAN TAIXIN)	Subsidiaries
INTERBOND CO., LTD. ( INTERBOND)	Subsidiaries
SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. (SHINIH SUZHOU)	Sub-Subsidiaries
SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD. (SHINIH DONG GUAN)	Sub-Subsidiaries
HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	Sub-Subsidiaries
SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	Sub-Subsidiaries
TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD. (TAIXIN SUZHOU)	Sub-Subsidiaries
TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	Sub-Subsidiaries
QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	Sub-Subsidiaries
HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Sub-Subsidiaries
SHINIH(COMBODIA)CO., LTD. (SHINIH COMBODIA)	Sub-Subsidiaries
KUNSHAN SHINIH TRADING CO., LTD. (KUNSHAN SHINIH)	Sub-Subsidiaries
PT. SHINIH NONWOVENS INDONESIA (SHINIH INDONESIA)	Sub-Subsidiaries
AMERICAN OUTDOOR LIVING INC. (AOLI)	Sub-Subsidiaries
WORLD FURNITURE GROUP (WFG)	Sub-Subsidiaries
S INTERNATIONAL INC.(SII)	Sub-Subsidiaries
AMERICAN FURNITURE ALLIANCE INC. (AFA)	Sub-Subsidiaries
MS NONWOVEN INC. (MSNI)	Sub-Subsidiaries
AMERICAN NONWOVEN INC. (ANI)	Sub-Subsidiaries
Jianbao Health Product Technical Co., Ltd (Jianbao Health)	Substantive related party
SUN JUNG UNITED CO., LTD.	Substantive related party
KAI SHEN CONSTRUCTION CO., LTD.	Substantive related party
CHIEN JUNG TSAI	Other related parties

B. Significant transactions between related parties

(a) Revenue

Related Party	2023	2022
Subsidiaries	\$ 4,929	\$ 2,110
Sub-Subsidiaries	5,918	6,660
Substantive related party	2,390	1,072

Related Party	2023	2022
Total	\$ 13,237	\$ 9,842

Sales prices between related parties were determined and negotiated referring to the relevant market prices. The payment term was T/T 90 days.

(b) Rent revenue

Categories/Names of related parties	2023	2022
Subsidiaries - TAIWAN KUREHA	\$ 3,600	\$ 5,680
Other related parties	1,714	1,714
Total	\$ 5,314	\$ 7,394

The abovementioned rental plants are calculated and charged monthly based on the local rental market.

(c) Others income

Categories/Names of related parties	2023	2022
Subsidiaries-SHINIH VIETNAM	\$ 12,330	\$ 16,004
Subsidiaries-AOLI	3,756	3,658
Sub-Subsidiaries-PT SHINIH	2,529	3,472
Sub-Subsidiaries- SHINIH SUZHOU	10,237	-
Subsidiaries	32	-
Substantive related party	-	14
Total	\$ 28,884	\$ 23,148

Other income mainly consists of the remuneration received by the Company for providing supply chain services and selling equipment or raw materials.

(d) Commission

Categories/Names of related parties	2023	2022
Subsidiaries-SHINIH VIETNAM	\$ 3,376	\$ 4,125
Subsidiaries	399	433
Sub-Subsidiaries-SHINIH SUZHOU	532	1,844
Sub-Subsidiaries	313	833

Categories/Names of related parties	2023	2022
Total	\$ 4,620	\$ 7,235

(e) Purchases

Categories/Names of related parties	2023	2022
Subsidiaries	\$ 3,543	\$ 1,122
Sub-Subsidiaries	212	1,747
Substantive related party	4,001	10,922
Total	\$ 7,756	\$ 13,791

Purchases prices between related parties was determined and negotiated referring to the relevant market prices. The payment term was T/T 90 days.

(f) Lease agreements

(1) Lease liabilities

Lease liabilities – current

Categories/Names of related parties	December 31, 2023	December 31, 2022
Other related parties	\$ 578	\$ 570
Total	\$ 578	\$ 570

Lease liabilities – noncurrent

Categories/Names of related parties	December 31, 2023	December 31, 2022
Other related parties	\$ 8,306	\$ 8,884
Total	\$ 8,306	\$ 8,884

(2) Interest expense

Categories/Names of related parties	2023	2022
Other related parties	\$ 130	\$ 137
Total	\$ 130	\$ 137

The Company leases real estate from related parties for use as employees' dormitories. The rent is calculated and charged monthly based on the local rental market.

(g) Accounts receivable

Categories/Names of related parties	December 31, 2023	December 31, 2022
Subsidiaries-TAIWAN KUREHA	\$ 1,275	\$ 1,470
Substantive related party	1,666	619
Total	<u>\$ 2,941</u>	<u>\$ 2,089</u>

(h) Other receivables

Categories/Names of related parties	December 31, 2023	December 31, 2022
Subsidiaries-SHINIH VIETNAM	\$ 6,839	\$ 18,580
Subsidiaries	2,786	873
Sub-Subsidiaries-SHINIH SUZHOU	2,959	2,109
Sub-Subsidiaries-AOLI	2,291	1,917
Sub-Subsidiaries	2,946	3,446
Substantive related party	217	174
Total	<u>\$ 18,038</u>	<u>\$ 27,099</u>

The other receivables mainly represent the Company purchases the raw materials and equipment and dividends receivables for subsidiaries and sub-subsidiaries.

(i) Accounts payable

Categories/Names of related parties	December 31, 2023	December 31, 2022
Subsidiaries	\$ 223	\$ 18
Subsidiaries-SHINIH VIETNAM	1,687	-
Sub-Subsidiaries-SHINIH SUZHOU	201	975
Substantive related party-Jianbao Health	544	5,162
Total	<u>\$ 2,655</u>	<u>\$ 6,155</u>

(j) Other payables

Categories/Names of related parties	December 31, 2023	December 31, 2022
Subsidiaries-USA HOLDING	\$ -	\$ 1,616
Subsidiaries- TAIWAN KUREHA	922	789
Subsidiaries- SII	1,847	-
Sub-Subsidiaries-TAIXIN SUZHOU	-	3,560
Substantive related party	304	60

Categories/Names of related parties	December 31, 2023	December 31, 2022
Total	\$ 3,073	\$ 6,025

The other payables mainly represent the subsidiaries and sub-subsidiaries purchase the equipment for the Company.

(k) Equipment purchases

Categories/Names of related parties	December 31, 2023	December 31, 2022
Subsidiaries	\$ 55	\$ 20,922
Sub-Subsidiaries	255	3,561
Total	\$ 310	\$ 24,483

C. Endorsement and Guarantees

Party being guaranteed	Matter being guaranteed	December 31, 2023	December 31, 2022
Subsidiaries-HOLDING	Banking facilities	\$ 675,510	\$ 675,620
Subsidiaries-VFT	Banking facilities	92,115	92,130
Sub-Subsidiaries-AOLI	Banking facilities	92,115	92,130
Subsidiaries-TAIWAN KUREHA	Banking facilities	135,353	135,355
Total		\$ 995,093	\$ 995,235

D. Compensation of key management personnel

Items	2023	2022
Salaries and other short-term employee benefits	\$ 22,264	\$ 21,541
Post-employment benefits	639	612
Total	\$ 22,903	\$ 22,153

8. PLEDGED ASSETS

The following assets have already provided various performance guarantees and collateral for long-term and short-term loans:

Items	December 31, 2023	December 31, 2022
Property, plant and equipment, net	\$ 543,074	\$ 537,499

Items	December 31, 2023	December 31, 2022
Investment property, net	\$ 215,077	\$ 244,810
Total	\$ 758,151	\$ 782,309

**9. SIGNIFICANT CONTINGENCY LIABILITIES AND UNRECOGNIZED COMMITMENTS:**

A. The letters of credit opened with the banks but not yet used are as follows:

Items	December 31, 2023	December 31, 2022
Letters of credit	\$ 3,013	\$ 9,486

B. Material capital expenditures contracted but not yet incurred are as follows:

Items	December 31, 2023	December 31, 2022
Property, plant, and equipment	\$ 4,008	\$ 11,918

C. Contingency: NONE.

**10. SIGNIFICANT DISASTERS: NONE.**

**11. SIGNIFICANT SUBSEQUENT EVENTS: NONE.**

**12. OTHERS:**

**12.1 Capital risk management**

The Company requires an adequate capital structure to enable the expansion and enhancement of its plant and equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources and operating plan to fund its working capital needs, capital asset purchases, development expenditure, and debt service requirements and other business requirements associated with its existing operations over the next 12 months.

**12.2 Financial risks on financial instruments**

**A. Financial risk management policies**

The Company's activities expose it to a variety of financial risks. These financial risks included market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to mitigate

potential adverse effects on its financial performance.

The Company's material financial activities are approved by the Board of Directors (and Audit Committee) in accordance with relevant requirements and internal control mechanism, which requires the Company to comply with its financial operating policies and procedures that provide guiding principles for the overall financial risk management and accountability and separation of duties.

## B. Significant financial risks and degrees of financial risks

### (a) Market risk

#### i. Foreign exchange risk

- (i) The Company's sales, purchase and borrowing activities denominated in foreign currencies are exposed to foreign currency risk. The Company's functional currency is New Taiwan dollars. The main foreign currencies of those thousand transactions are US dollars, CNY and THB, etc. To protect against reductions in value and the volatility of future cash flows results from changes in foreign exchange rates, the Company might hedge its foreign exchange risk exposure by using foreign currency loans and derivatives, such as forward exchange agreements. The usage of derivative financial instruments can assist the Company to reduce but not completely eliminate the influence of changes in foreign exchange rates.
- (ii) Foreign currency risk and sensitivity analysis

	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial Assets</u>			
Monetary Items			
USD	\$ 14,139	30.7050	\$ 434,132
CNY	1,004	4.3352	4,351
<u>Investments accounted for using equity method</u>			
USD	94,972	30.7050	2,916,111
THB	91,354	0.9017	82,374
CNY	8,276	4.3352	35,882
<u>Financial Liabilities</u>			
Monetary Items			
USD	174	30.7050	5,332
CNY	52	4.3352	225

	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<b>Financial Assets</b>			
<b>Monetary Items</b>			
USD	\$ 14,098	30.71	\$ 432,962
CNY	762	4.4094	3,361
<b>Investments accounted for using equity method</b>			
USD	86,697	30.71	2,662,467
THB	87,473	0.8941	78,210
CNY	16,725	4.4094	73,749
<b>Financial Liabilities</b>			
<b>Monetary Items</b>			
USD	234	30.71	7,164
CNY	623	4.4094	2,745

The Company is mainly exposed to US dollar and CNY. The sensitivity analysis rate for the Company is 1% increase and decrease in NTD against the relevant foreign currencies 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. An increase/ decrease in profit before tax would be resulted where the NTD strengthens/ weakens 1% against the relevant currencies with all other variables held constant in the amounts of \$4,329 thousand and \$4,264 thousand for the years ended December 31, 2023 and 2022, respectively.

#### ii. Price risk

The Company does not hold the financial assets in the form of equity securities measured at fair value through profit or loss and has no other price risk items.

#### iii. Interest rate risk

The carrying amounts of interest - bearing financial instruments held by the Company as of the reporting date are as follows:

Items	Carrying Amounts	
	December 31, 2023	December 31, 2022

Fair value interest rate risk

Items	Carrying Amounts	
	December 31, 2023	December 31, 2022
Financial assets	\$ 328,544	\$ 343,952
Financial liabilities	(260,000)	(250,000)
Net	<u>\$ 68,544</u>	<u>\$ 93,952</u>
Cash flow interest rate risk		
Financial assets	\$ 128,173	\$ 109,632
Financial liabilities	(1,503,750)	(1,340,687)
Net	<u>\$ (1,375,577)</u>	<u>\$ (1,231,055)</u>

#### Sensitivity analysis for instruments with fair value interest rate risk

The Company does not classify any fixed-rate instruments as financial assets measured at fair value through profit and loss. In addition, the Company does not designate derivatives as hedge instruments under the fair value hedge accounting model. Therefore, the change in interest rate on the reporting date has no effect on profit or loss and other comprehensive income.

#### Sensitivity analysis for instruments with cash flow interest rate risk

The effective interest rates for the Company's floating interest rate financial instruments are susceptible to the market interest rate. If the market interest rate increases (decreases) 0.25%, the profit before tax will increase (decrease) \$3,439 thousand and \$3,078 thousand for the years ended December 31, 2023 and 2022, respectively.

#### **(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operation activities, primarily trade receivable, and from investing activities, primarily bank deposits and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

#### Business - related credit risk

In order to maintain the credit quality of the trade receivables, the Company has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed taking into account relevant factors that may affect a customer's paying ability, such as the customer's financial condition and historical transaction records, internal and external credit rating and economic conditions.

#### Financial credit risk

The Company's exposure to financial credit risk which pertaining to bank deposits and other financial instruments was evaluated and monitored by the Company's treasury function. The Company only transacts with creditworthy counterparties and banks; therefore, no significant financial credit risk was identified.

i. Credit concentration risk

The credit concentration risk of accounts receivable is relatively immaterial because the Company has not concentrated on the minority as target customers.

ii. Measurement of expected credit loss

(i) Accounts receivable: The Company applies simplified approach to its accounts receivable. Please refer to Note 6.3 for more information.

(ii) The criteria used to determine whether credit risk has increased significantly: The Company considered credit factors and reviewed relevant information associated with debtors to assess whether credit risks on financial instruments have increased significantly since initial recognition.

iii. Holding collateral and other credit enhancement to hedge against credit risk of financial assets: None.

iv. Credit risk of financial assets measured at amortized cost:

Please refer to Note 6.3 for information on the Company's credit exposures associated with accounts receivable. Other financial instruments amortized at cost, such as cash and cash equivalents and other receivables, have low credit loss. Therefore, the loss allowance is assessed based on the 12-month expected credit loss. After the assessment, the Company determines that no material impairment occurred.

**(c) Liquidity risk**

i. Liquidity risk management

The objective of the Company's management of liquidity risk is to maintain sufficient cash and cash equivalents, highly liquid securities, and banking facilities to ensure that the Company has sufficient financial flexibility for its operations.

For the years ended December 31, 2023 and 2022, the Company's unused financing facilities were \$1,172,900 thousand and \$1,151,900 thousand, respectively.

ii. Maturity analysis for financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities:

Non-derivative financial liabilities	December 31, 2023			Contract cash flows	Carrying amounts
	Within 1 year	1-5 years	Over 5 years		
Short-term loans	\$ 792,020	\$ -	\$ -	\$ 792,020	\$ 790,000

Non-derivative financial liabilities	December 31, 2023				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Notes payable	\$ 9,473	\$ -	\$ -	\$ 9,473	\$ 9,473
Accounts payable	7,348	-	-	7,348	7,348
Other payables	29,245	-	-	29,245	29,245
Lease liabilities	700	2,800	6,300	9,800	8,884
Long-term loans (include current portion)	198,367	820,120	-	1,018,487	973,750
Guarantee deposits received	-	4,456	-	4,456	4,456
Total	\$ 1,037,153	\$ 827,376	\$ 6,300	\$ 1,870,829	\$ 1,823,156

Non-derivative financial liabilities	December 31, 2022				
	Within 1 year	1-5 years	Over 5 years	Contract cash flows	Carrying amounts
Short-term loans	\$ 453,059	\$ -	\$ -	\$ 453,059	\$ 450,687
Notes payable	11,844	-	-	11,844	11,844
Accounts payable	14,452	-	-	14,452	14,452
Other payables	51,862	-	-	51,862	51,862
Lease liabilities	700	2,800	7,000	10,500	9,454
Long-term loans (include current portion)	185,351	988,079	-	1,173,430	1,140,000
Guarantee deposits received	-	4,954	-	4,954	4,954
Total	\$ 717,268	\$ 995,833	\$ 7,000	\$ 1,720,101	\$ 1,683,253

The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

### 12.3 Categories of financial instruments

Items	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets at amortized costs (Note1)	\$ 510,327	\$ 530,077
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,814,272	1,673,799

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, accounts payable, other payables, long-term loans and guarantee deposits received.

#### **12.4 Fair value information of financial instruments**

- A. Definition of fair value measurements are grouped into Level 1 to 3 as follows:
- Level 1: Relevant inputs are quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date.
  - Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly.
  - Level 3: Inputs are unobservable inputs that used to measure fair value to the extent when relevant observable inputs are not available.
- B. Financial instruments that are not measured at fair value
- The fair value of the Company's financial instruments not measured at fair value including cash and cash equivalents, accounts receivable, other financial assets, refundable deposits, short-term loans, accounts payables, long-term loans and deposits received approximate their fair value.
- C. Fair value of financial instruments that are measured at fair value: NONE.
- D. The methods and assumptions the Company used to measure fair value are as follows:
- (a) The Company measures the fair values of its financial instruments with an active market using their quoted prices in the active market.
  - (b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models.
  - (c) Fair value of other financial assets and financial liabilities (except for aforementioned) are determined in accordance with generally accepted pricing model based on the discounted cash flow analysis.
- E. Transfer between Level 1 and Level 2 of the fair value hierarchy: None.
- F. Changes in level 3 instruments: None.

### **13. SUPPLEMENTARY DISCLOSURES**

#### **13.1 Significant transactions information**

- A. Financings provided to others: Please see Table 1 attached.
- B. Endorsement and guarantee provided to others: Please see Table 2 attached.
- C. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures at the end of the period): None.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300

million or 20% of the paid-in capital: None.

- E. Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
  - F. Disposal of individual real estate properties at prices of at least \$300 million or 20% of the paid-in capital: Please see Table 3 attached.
  - G. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Please see Table 4 attached.
  - H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 5 attached.
  - I. Information on the derivative instrument transactions: None.
  - J. The business relationship between the parent and the subsidiaries and significant transaction between them: Please see Table 6 attached.
- 13.2 Information on investees (before inter-company eliminations): Please see Table 7 attached.
- 13.3 Information on investment in Mainland China
- (1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.
  - (2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 6 attached.
- 13.4 Information of major shareholder (Names, number of shares and ownership of shareholders whose equity interest is greater than 5%): Please see Table 9 attached.

#### **14. SEGMENT INFORMATION**

The Company's management has identified the reportable segment under the reporting information used for making decisions adopted by the chief operating decision maker. The Company has provided the chief operating decision maker the information on resource allocation and assessment of segment performance, focusing on the financial information by geographic plants. The company has provided the segment information disclosure in the consolidated financial statements for the year ended December 31, 2023.

SHINIH ENTERPRISE CO., LTD.  
FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 1 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn (Note 5)	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 4)	
													Item	Value			
1	SHINIH HOLDING CO., LTD.	SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	Other receivables	Yes	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	2.5%	2	-	Operating capital	-	-	-	NTD 2,321,876 (USD 75,619)	NTD 4,643,752 (USD 151,238)	
		TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 32,514 (CNY 7,500)	NTD 32,514 (CNY 7,500)	NTD 32,514 (CNY 7,500)	2.5%	2	-	Operating capital	-	-	-			
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 15,353 (USD 500)	NTD 15,353 (USD 500)	NTD 15,353 (USD 500)	2.5%	2	-	Operating capital	-	-	-			
			Other receivables	Yes	NTD 46,058 (USD 1,500)	NTD 46,058 (USD 1,500)	NTD 46,058 (USD 1,500)	3.5%	2	-	Operating capital	-	-	-			
		SHINIH (CAMBODIA) CO., LTD.	Other receivables	Yes	NTD 1,878 (USD 61)	-	-	-	2	-	Operating capital	-	-	-			
		SHINIH VIETNAM COMPANY LTD.	Other receivables	Yes	NTD 122,820 (USD 4,000)	NTD 92,115 (USD 3,000)	NTD 92,115 (USD 3,000)	5%	2	-	Operating capital	-	-	-			
		AMERICAN FURNITURE ALLIANCE INC.	Other receivables	Yes	NTD 30,705 (USD 1,000)	-	-	-	2	-	Operating capital	-	-	-			NTD 696,563 (USD 22,686)
		PT. SHINIH NONWOVENS INDONESIA	Other receivables	Yes	NTD 30,705 (USD 1,000)	NTD 15,353 (USD 500)	NTD 15,353 (USD 500)	5%	2	-	Operating capital	-	-	-			
2	SUNBURST INTERNATIONAL LTD.	SHINIH (CAMBODIA) CO., LTD.	Other receivables	Yes	NTD 9,921 (USD 323)	-	-	-	1	-	Operating capital	-	-	-	NTD 23,154	NTD 46,309	
3	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 17,341 (CNY 4,000)	NTD 17,341 (CNY 4,000)	NTD 17,341 (CNY 4,000)	3%	2	-	Operating capital	-	-	-	NTD 423,987 (CNY 97,801)	NTD 847,974 (CNY 195,602)	
		KUNSHAN SHINIH TRADING CO., LTD.	Other receivables	Yes	NTD 8,670 (CNY 2,000)	NTD 4,335 (CNY 1,000)	NTD 4,335 (CNY 1,000)	3%	2	-	Operating capital	-	-	-			

(Continued)

SHINIH ENTERPRISE CO., LTD.  
FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 1

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn (Note 5)	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 4)
													Item	Value		
3	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 50,721 (CNY 11,700)	NTD 43,352 (CNY 10,000)	NTD 43,352 (CNY 10,000)	3%	2	-	Operating capital	-	-	-	NTD 423,987 (CNY 97,801)	NTD 847,974 (CNY 195,602)
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	3%	2	-	Operating capital	-	-	-		
4	AMERICAN NONWOVEN INC.	VFT INC.	Other receivables	Yes	NTD 76,763 (USD 2,500)	NTD 76,763 (USD 2,500)	NTD 43,950 (USD 1,431)	4%	2	-	Operating capital	-	-	-	NTD 304,310 (USD 9,911)	NTD 608,620 (USD 19,822)
		AMERICAN FURNITURE ALLIANCE INC.	Other receivables	Yes	NTD 55,269 (USD 1,800)	NTD 55,269 (USD 1,800)	NTD 55,269 (USD 1,800)	4%	2	-	Operating capital	-	-	-	NTD 91,293 (USD 2,973)	NTD 121,724 (USD 3,964)
5	AMERICAN OUTDOOR LIVING INC.	SHINIH USA INC.	Other receivables	Yes	NTD 24,564 (USD 800)	NTD 24,564 (USD 800)	NTD 9,874 (USD 322)	4%	2	-	Operating capital	-	-	-	NTD 135,963 (USD 4,428)	NTD 271,926 (USD 8,856)
		WORLD FURNITURE GROUP	Other receivables	Yes	NTD 3,071 (USD 100)	-	-	4%	2	-	Operating capital	-	-	-		
		S INTERNATIONAL INC.	Other receivables	Yes	NTD 12,282 (USD 400)	NTD 12,282 (USD 400)	-	4%	2	-	Operating capital	-	-	-		
		AMERICAN FURNITURE ALLIANCE INC.	Other receivables	Yes	NTD 30,705 (USD 1,000)	NTD 30,705 (USD 1,000)	NTD 18,423 (USD 600)	4%	2	-	Operating capital	-	-	-	NTD 40,789 (USD 1,328)	NTD 54,385 (USD 1,771)
6	MS NONWOVEN INC.	VFT INC	Other receivables	Yes	NTD 19,958 (USD 650)	NTD 19,958 (USD 650)	NTD 16,888 (USD 550)	3.5%	2	-	Operating capital	-	-	-	NTD 29,805 (USD 971)	NTD 59,610 (USD 1,941)
7	SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 52,022 (CNY 12,000)	NTD 52,022 (CNY 12,000)	NTD 52,022 (CNY 12,000)	3%	2	-	Operating capital	-	-	-	NTD 68,491 (CNY 15,799)	NTD 136,983 (CNY 31,598)
8	SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 28,179 (CNY 6,500)	NTD 28,179 (CNY 6,500)	NTD 28,179 (CNY 6,500)	3%	2	-	Operating capital	-	-	-	NTD 68,136 (CNY 15,717)	NTD 136,272 (CNY 31,433)
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 6,503 (CNY 1,500)	NTD 6,503 (CNY 1,500)	NTD 6,503 (CNY 1,500)	3%	2	-	Operating capital	-	-	-		

(Continued)

SHINIH ENTERPRISE CO., LTD.  
FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 1 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actually Drawn (Note 5)	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 4)
													Item	Value		
9	TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD.	HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	3%	2	-	Operating capital	-	-	-	NTD 256,671 (CNY 59,206)	NTD 513,343 (CNY 118,413)
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	NTD 10,838 (CNY 2,500)	3%	2	-	Operating capital	-	-	-		
10	TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 36,849 (CNY 8,500)	NTD 36,849 (CNY 8,500)	NTD 36,849 (CNY 8,500)	3%	2	-	Operating capital	-	-	-	NTD 64,098 (CNY 14,785)	NTD 128,196 (CNY 29,571)
11	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Other receivables	Yes	NTD 184,246 (CNY 42,500)	NTD 184,246 (CNY 42,500)	NTD 184,246 (CNY 42,500)	3%	2	-	Operating capital	-	-	-	NTD 238,272 (CNY 54,962)	NTD 476,544 (CNY 109,924)

Note 1 : The numbers filled in for the financing company represent the following :

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2 : Nature for Financing as follows :

- (1) Business transactions.
- (2) The need for short-term financing.

Note 3 : The financing limits for each foreign companies directly and indirectly held by the Company is 100% of the net value of the lending company, and the rest is 30% of the net value of the lending company.

Note 4 : The total financing limits for foreign companies directly and indirectly held by the Company is 200% of the net value of the lending company, and the rest is 40% of the net value of the lending company.

Note 5 : All the transactions had been eliminated when preparing consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.  
ENDORSEMENTS / GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 2

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
○	The Company	VFT INC.	2	NTD 1,716,550	NTD 184,230 (USD 6,000)	NTD 92,115 (USD 3,000)	-	-					
○	The Company	SHINIH HOLDING CO., LTD.	2		NTD 829,035 (USD 27,000)	NTD 675,510 (USD 22,000)	-	-					
○	The Company	AMERICAN OUTDOOR LIVING INC.	3		NTD 184,230 (USD 6,000)	NTD 92,115 (USD 3,000)	-	-	28.99%	NTD 3,433,101	Y	N	N
○	The Company	TAIWAN KUREHA CO., LTD.	2		NTD 170,000 NTD 15,353 (USD 500)	NTD 120,000 NTD 15,353 (USD 500)	NTD 30,000 -	-					

Note 1 : The Company is '○'.

Note 2 : '2' The subsidiary invested directly by the Company.

'3' The sub-subsidiary invested directly by the Company.

Note 3 : The limits on endorsement to a single enterprise : 50% of equity attributable to shareholders of the parent.

Note 4 : The maximum limit for endorsement/guarantee : 100% of equity attributable to shareholders of the parent.

Note 5 : The balance and amount referred to in the table above, except for the amount actually drawn, refers to the endorsement/guarantee limit or amount for others that occurred on the date of occurrence (the date of the Board resolution, the date of signing the transaction, the date of payment or any other date sufficient to determine the transaction party and the transaction amount, whichever is earlier).

SHINIH ENTERPRISE CO., LTD.  
ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 3

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Disposed of by	Types of Property	Date of Occurrence	Date of Acquisition	Carrying Amount	Transaction Amount (Note 2)	Status of Collection	Gain (loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Basis or Reference Used in Setting the Price	Other Commitments
SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	Property, plant, and right-of-use assets	November 24, 2022	Note 1	CNY 2,857	CNY 78,414	Note 2	Note 2	Loudong Subdistrict Office of Taicang Municipal People's Government	NIL	To cooperate with the local government's urban planning division	Note 3	Note 2

Note 1 : SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD. obtained the land use rights and build factories in succession in 1993.

Note 2 : Transaction amount included the compensations for collecting the immovable items such as the land use rights, buildings, and equipment, and cessation of production and business, termination of labor contracts and related relocation expenses. Please refer to Note 6.26 for the information.

Note 3 : The land expropriation compensation and appraisal report from the local government.

SHINIH ENTERPRISE CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 4

Amounts in Thousands of New Taiwan Dollars

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AMERICAN OUTDOOR LIVING INC.	AMERICAN NONWOVEN INC.	Please refer to Note 4 of consolidated financial statements	Sales	(NTD 133,166)	(67%)	As prescribed by the agreement	—	—	—	—	Note

Note 1 : All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.  
RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023

TABLE 5

Amounts in Thousands of New Taiwan Dollars

Creditor	Counterparty	Relationship	Ending Balance (Note )	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Please refer to Note 4 of consolidated financial statements	Accounts receivable NTD 184,348	-	-	-	-	-

Note 1 : All the transactions had been eliminated when preparing the consolidated financial statements.

## SHINIH ENTERPRISE CO., LTD.

## SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION

FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount (Note 4)	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	SHINIH ENTERPRISE CO., LTD.	TAIWAN KUREHA CO., LTD.	1	Sales revenue	\$ 4,572	Note 3	-
		TAIWAN KUREHA CO., LTD.	1	Rental revenue	3,600	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	4	Sales revenue	6,003	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	4	Other revenue	9,941	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	4	Commission revenue	532	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	1	Commission revenue	3,376	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	1	Other revenue	12,444	Note 3	1%
		PT.SHINIH NONWOVENS INDONESIA	4	Other revenue	2,567	Note 3	-
		AMERICAN OUTDOOR LIVING INC.	4	Other revenue	3,758	Note 3	-
		1	TAIWAN KUREHA CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	3	Sales revenue	2,210
2	SHINIH HOLDING COMPANY LTD.	HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	6	Interest revenue	2,026	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	3	Interest revenue	5,283	Note 3	-
		PT. SHINIH NONWOVENS INDONESIA	6	Interest revenue	889	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
2	SHINIH HOLDING COMPANY LTD.	TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	6	Interest revenue	\$ 829	Note 3	-
3	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	6	Sales revenue	1,812	Note 3	-
		TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	6	Sales revenue	624	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	6	Other revenue	7,215	Note 3	-
4	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Interest revenue	5,316	Note 3	-
5	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	8	Sales revenue	8,365	Note 3	-
		QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	8	Interest revenue	1,331	Note 3	-
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	8	Interest revenue	500	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	7	Sales revenue	791	Note 3	-
6	SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Rental revenue	19,541	Note 3	1%
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Interest revenue	1,311	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
7	SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	8	Rental revenue	\$ 6,613	Note 3	-
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Interest revenue	825	Note 3	-
8	TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	8	Sales revenue	2,038	Note 3	-
		TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Sales revenue	1,727	Note 3	-
		DONG GUAN TAIXIN FIBER PRODUC CO., LTD.	7	Interest revenue	1,079	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Sales revenue	45,821	Note 3	2%
9	QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Sales revenue	45,821	Note 3	2%
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Rental revenue	2,948	Note 3	-
		VFT INC.	7	Sales revenue	64,800	Note 3	3%
10	AMERICAN OUTDOOR LIVING INC.	AMERICAN NONWOVEN INC.	8	Sales revenue	133,166	Note 3	6%
		AMERICAN FURNITURE ALLIANCE INC.	8	Interest revenue	566	Note 3	-
		AMERICAN FURNITURE ALLIANCE INC.	8	Other revenue	1,871	Note 3	-
11	WORLD FURNITURE GROUP	AMERICAN FURNITURE ALLIANCE INC.	8	Other revenue	1,871	Note 3	-
		AMERICAN OUTDOOR LIVING INC.	8	Other revenue	3,741	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
11	WORLD FURNITURE GROUP	S INTERNATIONAL INC.	8	Other revenue	\$ 2,619	Note 3	-
		AMERICAN NONWOVEN INC.	8	Other revenue	25,627	Note 3	1%
		VFT INC.	7	Other revenue	11,785	Note 3	1%
		MS NONWOVEN INC.	8	Other revenue	748	Note 3	-
12	VFT INC.	AMERICAN NONWOVEN INC.	6	Sales revenue	15,155	Note 3	1%
		AMERICAN NONWOVEN INC.	6	Other revenue	9,353	Note 3	-
13	AMERICAN NONWOVEN INC.	VFT INC..	7	Sales revenue	8,638	Note 3	-
		VFT INC.	7	Interest revenue	2,426	Note 3	-
		AMERICAN FURNITURE ALLIANCE INC.	8	Interest revenue	2,184	Note 3	-
14	SHINIH VIETNAM COMPANY LTD.	S INTERNATIONAL INC.	8	Sales revenue	516	Note 3	-
		SHINIH ENTERPRISE CO., LTD.	2	Sales revenue	2,481	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	6	Sales revenue	5,020	Note 3	-
		PT. SHINIH NONWOVENS INDONESIA	6	Sales revenue	1,468	Note 3	-
		QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	6	Sales revenue	3,450	Note 3	-
15	S INTERNATIONAL INC.	SHINIH VIETNAM COMPANY LTD.	7	Other revenue	6,222	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
 SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
 FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
15	S INTERNATIONAL INC.	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Other revenue	\$ 4,970	Note 3	-
16	MS NONWOVEN INC.	VFT INC.	7	Interest revenue	668	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
0	SHINIH ENTERPRISE CO., LTD.	TAIWAN KUREHA CO., LTD.	1	Accounts receivable	\$ 1,275	Note 3	-
		TAIWAN KUREHA CO., LTD.	1	Other receivables	532	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	1	Other receivables	6,796	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	4	Other receivables	2,959	Note 3	-
		AMERICAN OUTDOOR LIVING INC.	4	Other receivables	2,290	Note 3	-
		QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	4	Other receivables	1,315	Note 3	-
		PT.SHINIH NONWOVENS INDONESIA	4	Other receivables	1,139	Note 3	-
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	1	Other receivables	1,877	Note 3	-
1	SHINIH HOLDING COMPANY LTD.	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	6	Other receivables	1,434	Note 3	-
		SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	6	Other receivables	23,611	Note 3	-
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	6	Other receivables	72,067	Note 3	1%
		PT.SHINIH NONWOVENS INDONESIA	6	Other receivables	15,575	Note 3	-
		SHINIH VIETNAM COMPANY LTD.	3	Other receivables	61,801	Note 3	1%
		SHINIH USA INC.	3	Other receivables	2,323	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
1	SHINIH HOLDING COMPANY LTD.	SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	6	Other receivables	\$ 11,708	Note 3	-
		TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	6	Other receivables	35,125	Note 3	1%
2	SUNBURST INTERNAL LTD.	SHINIH VIETNAM COMPANY LTD.	3	Other receivables	9,045	Note 3	-
3	TAIWAN KUREHA CO., LTD.	SHINIH ENTERPRISE CO., LTD.	2	Other receivables	836	Note 3	-
		DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	3	Accounts receivable	622	Note 3	-
4	HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	184,348	Note 3	3%
5	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	10,870	Note 3	-
		KUNSHAN SHINIH TRADING CO., LTD.	8	Other receivables	4,335	Note 3	-
		QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	8	Other receivables	43,569	Note 3	1%
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	8	Other receivables	17,341	Note 3	-
6	TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	10,838	Note 3	-
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	8	Other receivables	10,838	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
7	TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	\$ 36,849	Note 3	1%
8	SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	28,179	Note 3	-
		HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	8	Other receivables	6,503	Note 3	-
		TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	8	Other receivables	2,087	Note 3	-
9	SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD.	DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	7	Other receivables	57,315	Note 3	1%
10	QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	8	Accounts receivable	8,663	Note 3	-
11	MS NONWOVEN INC.	VFT INC.	7	Other receivables	16,888	Note 3	-
		AMERICAN NONWOVEN INC.	8	Other receivables	3,272	Note 3	-
12	S INTERNATIONAL INC.	SHINIH ENTERPRISE CO., LTD.	5	Other receivables	1,847	Note 3	-
13	AMERICAN OUTDOOR LIVING INC.	VFT INC.	7	Accounts receivable	15,090	Note 3	-
		SHINIH USA INC.	7	Other receivables	8,263	Note 3	-
		AMERICAN FURNITURE ALLIANCE INC.	8	Other receivables	18,423	Note 3	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
SUBSIDIARIES INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 6

Amounts in Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
14	AMERICAN NONWOVEN INC.	S INTERNATIONAL INC.	8	Accounts receivable	\$ 508	Note 3	-
		AMERICAN FURNITURE ALLIANCE INC.	8	Other receivables	55,269	Note 3	1%
		VFT INC.	7	Other receivables	44,115	Note 3	1%
		VFT INC.	7	Notes receivable	5,764	Note 3	-
15	WORLD FURNITURE GROUP	SHINIH USA INC.	7	Other receivables	921	Note 3	-
		VFT INC.	7	Other receivables	7,738	Note 3	-
16	AMERICAN FURNITURE ALLIANCE INC.	SHINIH USA INC.	7	Other receivables	6,769	Note 3	-
17	SHINIH VIETNAM COMPANY LTD.	SHINIH ENTERPRISE CO., LTD.	2	Accounts receivable	1,687	Note 3	-

(Continued)

Note 1: The parent company and subsidiaries are coded as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationships between transaction companies and counterparties are classified into the following three categories as listed below :

- '1' represents parent company to subsidiary.
- '2' represents subsidiary to parent company.
- '3' represents subsidiary to subsidiary.
- '4' represents parent company to sub-subsidiary.
- '5' represents sub-subsidiary to parent company.
- '6' represents subsidiary to sub-subsidiary.
- '7' represents sub-subsidiary to subsidiary.
- '8' represents sub-subsidiary to sub-subsidiary.

Note 3: Sale price with related parties were determined and negotiated referring to related market price.

Note 4: All the transactions had been eliminated when preparing the consolidated financial statements.

## SHINIH ENTERPRISE CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2023

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	TAIWAN KUREHA CO., LTD.	Note 1	The manufacture, processing and sale of nonwoven fabric material, carpets, tapestries, conveyor belts and air filters	NTD 54,800	NTD 54,800	55,000	84.62%	NTD 34,349	NTD 8,223	NTD 6,749	Note 19, 20
	SHINIH HOLDING CO.,LTD.	Note 2	Securities trading and investment	USD 6,700	USD 6,700	10,000,000	100%	NTD 2,321,865	NTD 284,842	NTD 284,814	Note 19, 20
	SUNBURST INTERNATIONAL LTD.	Note 3	Operating textile, polyester cotton and other import and export trade and reinvestment business	USD 50	USD 50	50,000	100%	NTD 14,328	NTD 101	NTD 2,095	Note 19, 20
	VFT INC.	Note 4	Nonwoven fabric material manufacturing, processing and trading	USD 1,800	USD 1,800	100	100%	NTD 289,529	NTD 19,595	NTD 20,450	Note 19, 20
	KUREHA (THAILAND) CO.,LTD.	Note 5	The manufacture, processing and trading of blankets and air filters	USD 1,018	USD 1,018	37,500	50%	NTD 82,374	NTD 34,449	NTD 17,224	Note 20

(Continued)

## SHINIH ENTERPRISE CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2023

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
SHINIH ENTERPRISE CO., LTD.	SHINIH VIETNAM COMPANY LTD.	Note 6	Nonwoven fabric material manufacturing, processing and trading	USD 2,000	USD 2,000	-	100%	NTD 216,331	NTD 39,206	NTD 39,054	Note 19, 20
	SHINIH USA INC.	Note 7	Securities trading and investment	USD 1,100	USD 1,100	1,100,000	100%	NTD 66,006	NTD 17,048	NTD 17,740	Note 19, 20
	INTERBOND CO., LTD.	Note 8	Nonwoven fabric material manufacturing, processing and trading	NTD 2,000	NTD 2,000	200,000	100%	NTD 1,206	NTD (118)	NTD (118)	Note 20
SHINIH HOLDING CO., LTD.	SHINIH (CAMBODIA) CO., LTD.	Note 9	Nonwoven fabric material and other manufacturing and sales	USD 1,500	USD 1,500	-	100%	USD 1,166	USD 2,171	Note 17	Note 20
	PT.SHINIH NONWOVENS INDONESIA	Note 10	Nonwoven fabric material and other manufacturing and sales	USD 6,435	USD 6,435	-	99%	USD 4,918	USD (55)	Note 17	Note 20
SHINIH USA INC.	AMERICAN OUTDOOR LIVING INC.	Note 11	Nonwoven fabric material manufacturing, processing and trading	USD 1,000	USD 1,000	-	100%	USD 4,428	USD 326	Note 17	Note 20

(Continued)

SHINIH ENTERPRISE CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2023

TABLE 7

Amounts in Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
SHINIH USA INC.	WORLD FURNITURE GROUP	Note 12	Investment business	USD 400	USD 400	-	100%	USD (1,028)	USD 240	Note 17	Note 20
WORLD FURNITURE GROUP	AMERICAN FURNITURE ALLIANCE INC.	Note 13	Nonwoven fabric material manufacturing, processing and trading	USD 400	USD 400	-	80%	USD (1,308)	USD 61	Note 17	Note 20
	S INTERNATIONAL INC.	Note 14	General merchandise trade	USD 100	USD 100	-	100%	USD 67	USD (31)	Note 17	Note 20
VFT INC.	MS NONWOVEN INC.	Note 15	Nonwoven fabric material manufacturing, processing and trading	USD 7,428	USD 7,428	-	100%	USD 1,139	USD (80)	Note 17	Note 20
	AMERICAN NONWOVEN INC.	Note 16	Nonwoven fabric material manufacturing, processing and trading	USD 100	USD 100	-	100%	USD 9,911	USD 446	Note 17	Note 20

(Continued)

Note 1: No. 2-23, Tuku, Shuixiu Vil., Yanshui Dist., Tainan City 73743, Taiwan (R.O.C.)

Note 2: OFFSHORE CHAMBERS P.O.BOX 217.APIA WESTERN SAMOA

Note 3: P.O.BOX 957,OFFSHORE INCORPORATIONS CENTRE ROAD TOWN,TORTOLA,BRITISH VIRGIN ISLANDS

Note 4: 1040 S.Vail AVE. Montebello,CA

Note 5: 525 Moo 4 Bangpoo Industral Estate, Sukhumvit RD., Praksa, Muang District, Samutprakarn 10280 Thailand

Note 6: B3-3 Cu Chi Northwest Industrial Zone,Cu Chi District, HCMC,Vietnam

Note 7: 1040 S VAIL AVENUE MONTEBELLO,CA 90640 LOS ANGELES COUNTY CALIFORNIA

Note 8: 5F.-1, No. 266, Sec. 1, Wenhua 2nd Rd., Linkou Dist., New Taipei City 244022 , Taiwan (R.O.C.)

Note 9: Phnom Penh Special Economic Zone (Sangkat Kantouk, Sangkat Phleung Chhes Rotes, Sangkat Beung Thom, Khan Por Senchey, Phnom Penh)

Note 10: Kawasan Industri Indotaisei Sektor IA Blok D-Z, Kalihurip Cikampek, Karawang-Jawa Barat

Note 11: 820 S VINTAGE AV#A ONTARIO CA 91764 CALIFORNIA

Note 12: 9141 Arrow Route, Rancho Cucamonga, CA

Note 13: 785 E. Harrison Street, Corona, CA

Note 14: 785 E. Harrison Street, Corona, CA

Note 15: 275 Industrial DR, Pontotoc, MS

Note 16: 9141 Arrow Route, Rancho Cucamonga, CA

Note 17: According to the regulations, it can be exempted from filling in columns.

Note 18: Please refer to Table 8 for information of investees in Mainland China.

Note 19: The difference between the investment income and loss recognized in the current period and the income and loss of the invested company recognized according to the shareholding ratio in the current period is the unrealized income and loss of the upstream and downstream transactions within the group.

Note 20: All the transactions had been eliminated when preparing the consolidated financial statements.

SHINIH ENTERPRISE CO., LTD.  
INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 8 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/ Losses	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 61,410 (USD 2,000)	Note 2	NTD 60,000	-	-	NTD 60,000	NTD (51,857)	100%	NTD (53,863)	NTD (11,768)	NTD 131,709
SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 76,763 (USD 2,500)	Note 2	NTD 8,430	-	-	NTD 8,430	NTD 209,405	11%	NTD 23,502	NTD 31,854	NTD 40,172
“	Nonwoven fabric material manufacturing, processing and trading	“	Note 1	Note 1			Note 1	NTD 209,405	89%	NTD 185,910	NTD 385,589	-
SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 52,813 (USD 1,720)	Note 1	Note 1	-	-	Note 1	NTD 12,401	100%	NTD 12,401	NTD 68,492	-
HANGZHOU SHINIH FIBER PRODUCTS CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 115,144 (USD 3,750)	Note 1	Note 1	-	-	Note 1	NTD 18,546	100%	NTD 18,546	NTD 238,273	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
 INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE 8 Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/Losses	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 61,410 (USD 2,000)	Note 1	Note 1	-	-	Note 1	NTD 5,151	100%	NTD 5,151	NTD 68,136	-
TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 153,525 (USD 5,000)	Note 1	Note 1	-	-	Note 1	NTD 15,424	100%	NTD 15,361	NTD 256,670	-
TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 64,481 (USD 2,100)	Note 1	Note 1	-	-	Note 1	NTD (9,149)	100%	NTD (9,769)	NTD 64,080	-
QINGDAO TAIXIN FIBER PRODUCTS CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 92,115 (USD 3,000)	Note 1	Note 1	-	-	Note 1	NTD (3,154)	100%	NTD (3,154)	NTD 22,259	-
HUBEI TAIXIN FIBER PRODUCTS CO., LTD.	Nonwoven fabric material manufacturing, processing and trading	NTD 115,144 (USD 3,750)	Note 1	Note 1	-	-	Note 1	NTD (10,510)	100%	NTD (10,510)	NTD (28,574)	-

(Continued)

SHINIH ENTERPRISE CO., LTD.  
 INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2023

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Shares of Profits/ Losses	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
KUNSHAN SHINIH TRADING CO., LTD.	General merchandise trade	NTD 9,212 (USD 300)	Note 1	Note 1	-	-	Note 1	NTD 1,387	100%	NTD 1,387	NTD (1,801)	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 160,545	NTD 882,155 (USD 28,730)	NTD 2,059,861

Note 1 : The Company remitted US\$3,000 thousand from Taiwan to invest in SHINIH HOLDING CO., LTD., and pass through SHINIH HOLDING CO., LTD. to invest in SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD., SHINIH FIBER PRODUCTS (DONG GUAN) CO., LTD., HANGZHOU SHINIH FIBER PRODUCTS CO., LTD., SHINIH FIBER PRODUCTS (TANGSHAN) CO., LTD., TAIXIN FIBER PRODUCTS (SUZHOU) CO., LTD., TANGSHAN TAIXIN FIBER PRODUCTS CO., LTD., QINGDAO TAIXIN FIBER PRODUCTS CO., LTD., HUBEI TAIXIN FIBER PRODUCTS CO., LTD. and KUNSHAN SHINIH TRADING CO., LTD.

Note 2 : Directly invest in a company in Mainland China.

Note 3 : It is recognized according to the financial statements audited by Taiwan accountants for the same period.

Note 4 : All the transactions had been eliminated when preparing the consolidated financial statements.

Note 5 : According to the "Principles for Reviewing Investment or Technical Cooperation in the Mainland Area", investors who remit dividends or profits from mainland investment enterprises back to Taiwan shall deduct their accumulated investment amount. As of December 31, 2023, the accumulated amount of investment remitted out was \$160,545 thousand; the accumulated profit remitted back from the mainland was \$171,881 thousand.

SHINIH ENTERPRISE CO., LTD.  
Major Shareholders Information  
DECEMBER 31, 2023

TABLE 9

Share	Total Shares Owned	Ownership Percentage
Major shareholders		
LEE PONT INVESTMENT CO., LTD.	24,075,234	22.06%

# THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023

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

### Statement 1

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 394
Cash in banks		
New Taiwan Dollars		
Checking accounts deposits		1,083
Demand deposits		43,860
Foreign currency		
Demand deposits	(USD)	2,648
	(JPY)	486
	(CNY)	569
	(EUR)	13
Deposits account	(USD)	5,000
Subtotal		282,781
Total		\$ 283,175

Note : USD 1 = NT \$ 30.7050

JPY 1 = NT \$ 0.2172

CNY 1 = NT \$ 4.3352

EUR 1 = NT \$ 33.98

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF NOTES RECEIVABLE, NET

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 2

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
JIN SHINN CHANG ENTERPRISE CO., LTD.	Receivable from sale of goods	\$ 1,428
MEXSMON TRADING CO., LTD.	Receivable from sale of goods	938
CATHAY CONSOLIDATED INC.	Receivable from sale of goods	878
FOR YOUNG INTERNATIONAL LTD.	Receivable from sale of goods	784
CANVADA INDUSTRIAL CO., LTD.	Receivable from sale of goods	781
CHIN CHENG MATS CO., LTD.	Receivable from sale of goods	743
ANGLIAN BEDCLOTHES STORE	Receivable from sale of goods	515
Others (Note)	Receivable from sale of goods	2,783
Total		<u>\$ 8,850</u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF ACCOUNTS RECEIVABLE - NON-RELATED PARTY

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 3

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
QUANG VIET ENTERPRISE CO., LTD.	Receivable from sales of goods	\$ 2,832
JIN SHINN CHANG ENTERPRISE CO., LTD.	Receivable from sales of goods	1,400
MEXSMON TRADING CO., LTD..	Receivable from sales of goods	1,366
I CHIN BEDDING CO., LTD.	Receivable from sales of goods	1,286
PRESICARRE CORPORATION	Receivable from sales of goods	1,040
JUNCTION COTTON GOODS COMPANY	Receivable from sales of goods	990
Others (Note)	Receivable from sales of goods	10,693
Subtotal		19,607
Less : Loss allowance		(764)
Total		<u>\$ 18,843</u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 4

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials		\$ 51,133	\$ 53,116
Work-in-process		130	130
Finished goods		20,443	29,984
Total		<u>\$ 71,706</u>	<u>\$ 83,230</u>

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Thousands of Shares)

### Statement 5

Investee Company	Balance, January 1, 2023		Addition ( Note 1 )	Decrease ( Note 2 )	Balance, December 31		Net Assets Value Total Amount	Collateral
	Shares	Amount			Amount	%		
SHINIH HOLDING CO., LTD.	10,000,000	\$ 2,060,585	\$ 261,280	\$ -	\$ 2,321,865	100	\$ 2,321,876	-
SHINIH VIETNAM COMPANY LTD.	-	258,486	33,484	(75,639)	216,331	100	217,336	-
SUNBURST INTERNATIONAL LTD.	50,000	12,233	2,095	-	14,328	100	23,154	-
VFT INC.	100	269,512	20,017	-	289,529	100	289,598	-
DONG GUAN TAIXIN FIBER PRODUCTS CO., LTD.	-	41,844	(53,612)	-	(11,768)	100	(11,689)	-
KUREHA (THAILAND) CO., LTD.	37,500	78,210	17,389	(13,225)	82,374	50	82,374	-
SHINIH FIBER PRODUCTS (SUZHOU) CO., LTD.	-	18,241	22,640	(9,027)	31,854	11	47,571	-
TAIWAN KUREHA CO., LTD.	55,000	27,208	7,141	-	34,349	85	34,349	-
INTERBOND CO., LTD.	200,000	1,324	(118)	-	1,206	100	1,206	-
SHINIH USA INC.	1,100,000	48,533	17,473	-	66,006	100	87,301	-
		<u>\$ 2,816,176</u>	<u>\$ 327,789</u>	<u>\$ (97,891)</u>	<u>\$ 3,046,074</u>		<u>\$ 3,093,076</u>	

Note 1 : Addition consists of follows :

Share of profit or loss of subsidiaries accounted for using equity method (Note 3)	\$ 357,647
Exchange differences on translation of foreign operations	(31,493)
Realized gain or loss on downstream transactions	1,469
Share of remeasurements of defined benefit plans of subsidiaries accounted for using equity method	166
Total	<u>\$ 327,789</u>

Note 2 : To collecting cash dividends.

Note 3 : Amounts includes \$357,940 thousand from share of profit or loss of subsidiaries accounted for using equity method and \$ (293) thousand from the deferred income tax of unrealized profit on downstream transactions recognized in parent company only financial statements.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 6

Creditor	Description	Amount	Contract Period	Collateral	Note
CHB Bank	Guaranteed loans	\$ 30,000	2024.05.31	Land and Building	
CHB Bank	Guaranteed loans	60,000	2024.05.31	Land and Building	
Subtotal		90,000			
HUA NAN Bank	Unsecured loans	130,000	2024.11.09		
CHB Bank	Unsecured loans	50,000	2024.05.31		
Taishin International Bank	Unsecured loans	100,000	2024.04.30		
SINO PAC Bank	Unsecured loans	160,000	2024.11.30		
Yushan Bank	Unsecured loans	100,000	2024.11.09		
Taipei Fubon Bank	Unsecured loans	60,000	2024.09.02		
Cathay Pacific Bank	Unsecured loans	100,000	2024.09.01		
Subtotal		700,000			
Total		\$ 790,000			

Note : The unused financing amount of the loan is approximately \$772,917 thousand and the range of interest rates is 1.76% ~1.95%.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 7

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>
FAR EASTERN NEW CENTURY CORPORATION	Payment for material	\$ 7,582
EVER GREEN ULTRASONICS CO., LTD.	Payment for equipment	1,260
Others (Note)		631
Total		<u>\$ 9,473</u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF ACCOUNTS PAYABLE - NON-REALTED PARTY

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 8

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
ROHM AND HAAS TAIWAN, INC.	Payment for material	\$ 1,348
FARLEAD TECHNOLOGY CO., LTD.	Payment for material	812
CHAN SIEH ENTERPRISES CO., LTD.	Payment for material	711
NAN YA PLASTICS CORPORATION	Payment for material	627
SHING MING IND. CO., LTD.	Payment for material	506
PAI HUEY PLASTIC INDUSTRY CO., LTD.	Payment for material	451
Others (Note)	Payment for material	238
Total		<u>\$ 4,693</u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF LONG-TERM LOANS

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 9

Creditor	Description	Amount	Contract Period	Collateral	Note
KGI Bank	Guaranteed loans	\$ 600,000	2026. 05. 08	Land and Building	2
The Shanghai Commercial Bank	Guaranteed loans	66,667	2025. 10. 12	Land and Building	3
The Shanghai Commercial Bank	Guaranteed loans	150,000	2027. 12. 27	Land and Building	3
CHB Bank	Guaranteed loans	157,083	2025. 01. 05	Land and Building	4
Subtotal		973,750			
Less : Current portion		(178,333)			
Total		\$ 795,417			

Note 1 : The unused financing amount of the loan is approximately \$400,000 thousand and the range of interest rates is 1.90%~2.37%

Note 2 : KGI Bank is repayment of principal at maturity.

Note 3 : Shanghai Commercial Bank repays the principal in 12 instalments with one instalments every 3 months, starting from January 2023 and January 2025.

Note 4 : CHB Bank repays the principal in 24 instalments starting from February 2022.

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF NET REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 10

Items	QTY (in thousand)	Unit	Amount
Resin cotton	3,401	YARD	\$ 121,049
Needle-punched resin cotton	258	YARD	53,325
Vertical cotton	585	Kg	45,847
cotton fabric	396	YARD	13,410
Coiled wires	258	Kg	9,456
Cotton pompom processing	34	Kg	5,071
Others			17,535
Total			265,693
Less: Sales return			(200)
Sales allowances			(58)
Sales revenue, net			265,435
Rental income			31,605
Operating revenue, net			\$ 297,040

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF COST OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 11

Items	Amount
Raw materials:	
Balance, January 1	\$ 64,141
Add: Purchase	78,033
Gain on physical inventory	36
Less: Balance, December 31	(51,133)
Transferred to expenses	(4,818)
Sell raw materials	(6,476)
Raw materials consumed for the period	79,783
Direct labor	24,387
Production overheads	40,877
Manufacturing cost	145,047
Add : Work in process, January 1	2,465
Less : Work in process, December 31	(130)
Cost of finished goods	147,382
Add : Finished goods, January 1	41,687
Purchase	8,271
Less : Transferred to expenses	(8,881)
Finished goods, December 31	(20,443)
Scrapped losses	(2,086)
Loss on physical inventory taking	(20)
Production and marketing costs	165,910
Raw materials sold	6,476
Total cost of goods sold	172,386
Unallocated production overheads	71,472
Leasing costs	5,046
Scrapped losses	2,086
Gain on physical inventory	(16)
Total cost of revenue	\$ 250,974

**SHINIH ENTERPRISE CO., LTD.**  
**STATEMENT OF MANUFACTURING EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(In Thousands of New Taiwan Dollars)**

**Statement 12**

<u>Items</u>	<u>Amount</u>
Indirect labor	\$ 30,253
Depreciation	21,804
Utilities expenses	10,870
Fuel cost	5,477
Processing fee	12,251
Repair and maintenance expenses	5,254
Insurance expenses	8,765
Packaging expenses	2,219
Shipping expenses	2,171
Others	13,285
Less : Unallocated production overheads	(71,472)
Total	<u>\$ 40,877</u>

# SHINIH ENTERPRISE CO., LTD.

## STATEMENT OF OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

### Statement 13

Items	Marketing	Administrative	Research and Development	Total
Salaries	\$ 13,944	\$ 72,395	\$ 21,044	\$ 107,383
Insurance expenses	1,457	6,174	2,796	10,427
Depreciation	181	5,583	46,586	52,350
Shipping expenses	8,633	211	1,820	10,664
Professional service fees	14	6,494	182	6,690
Export charges	3,777	140	54	3,971
Sample charges	425	23	11,713	12,161
Others (Note)	8,947	17,394	14,091	40,432
Total	<u>\$ 37,378</u>	<u>\$ 108,414</u>	<u>\$ 98,286</u>	<u>\$ 244,078</u>

Note : The amount of each item in others does not exceed 5% of the account balance.