



TOUNG LOONG TEXTILE MFG. CO., LTD.

2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on April 16, 2024

Website for this annual report : <http://mops.twse.com.tw>

Spokesperson name, position, phone number, and e-mail

Name : Wu-Yu Peng
Position : AVP, Auditing Office
Phone number : (02)2961-2112
Email address : stock@tloong.com.tw

Deputy Spokesperson name, position, phone number, and e-mail

Name : Tai-Chen Chen
Position : Vice President, Finance Department
Phone number : (02)2961-2112
Email address : stock@tloong.com.tw

Address and phone numbers of the Company's Head Office and plants

Head Office : 19F., No. 31, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City
TEL : (02)2961-2112
Taoyuan Plant : No. 859, Fuguo Rd., Xipu Vil., Taoyuan County
TEL : (03)323-4111
Changhua Plant : No.11, Gongqu 3rd Rd., Fangyuan Industrial Park, Changhua County
TEL : (04)896-8808

Stock Transfer Agency name, address, URL, and phone number

Name : CTBC Bank Transfer Agency
Address : 5F., No. 83, Sec. 1, Chongqing South Rd., Zhongzheng Dist., Taipei City
TEL : (02)6636-5566
URL: : <http://www.chinatrust.com.tw>

Name, accounting firm, address, URL, and phone number of the CPAs who duly audited and attested the financial statement for the most recent fiscal year

Name : TOPPEST CPAS & CO.,
CPA Name : Hsieh Wan-Li and Chang Wei-Cheng, CPA
Address : 5F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City
URL: : <http://www.toppestcpa.com.tw>
TEL : (02)2768-7755

Name of any exchanges where the company's securities are traded overseas and the method by which information on said overseas securities can be accessed

This Company has not issued any overseas securities

URL: <http://www.tloong.com.tw>

Table of Contents

Chapter 1	Message to Shareholders
Chapter 2	Company Profile
	I. Date of incorporation
	II. Company History
Chapter 3	Corporate Governance Report
	I. Organizational system
	II. Information about Director(s), Supervisor(s), President(s), Vice President(s), Assistant Vice President(s), and Department/Branch Head(s):
	III. Remuneration paid to directors, supervisors, presidents, vice presidents, and top five executives with the highest remuneration in the most recent year
	IV. Status of corporate governance operations
	V. Information on professional fees of attesting CPAs
	VI. Information on replacement of CPA(s)
	VII. Information on position(s) held by the Company's Chairperson, President, or any managerial officer in charge of finance or accounting matters at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm in the most recent fiscal year
	VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:
	IX. Information about the relationship among the Company's 10 largest shareholders:
	X. The number of shares and total equity stake held by the Company, the Company's directors, supervisors and managerial officers, and any companies controlled either directly or indirectly by the Company, in a single enterprise
Chapter 4	Fundraising Status
	I. Capital and issued shares
	II. Corporate bonds
	III. Preferred shares
	IV. Global depository receipts
	V. Employee stock warrants, mergers and acquisitions (including mergers, acquisitions, and demergers), and the status of

implementation of capital utilization plans.

Chapter 5	Operational overview
	I. Business
	II. Market, Production and Sales Overview
	III. The number of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels
	IV. Environment protection expenditure information
	V. Labor/management relations
	VI. Information Security Management
	VII. Important contract
Chapter 6	Financial overview
	I. Concise financial information in the five most recent fiscal years
	II. Financial analysis for the most recent 5 fiscal years
	III. Audit report issued by the Audit Committee for the most recent year's financial statement
	IV. Financial statement for the most recent fiscal year and related footnotes
	V. Parent Company Only Financial Statement for the most recent fiscal year, audited and attested by a CPA
	VI. Financial difficulties of the Company or its affiliates in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report and their impact on the Company's financial situation.
Chapter 7	Review and Analysis of Overview of Finance Status and Performance, and Risk Management
	I. Financial position
	II. Financial performance
	III. Cash flows
	IV. Impact of any major capital expenditures in the most recent fiscal year on the financial operations of the Company
	V. The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.
	VI. Risk analysis and assessment
	VII. Other material issues
Chapter 8	Special notes

- I. Information on affiliated enterprises
- II. Private placement of securities, capital utilization status, and plan implementation status in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report
- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report
- IV. Other matters requiring supplementary description.

Chapter 9 Any material impacts on shareholders' equity or the price of the Company's securities as defined in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act in the most recent year and during the current fiscal year up to the date of publication of the annual report

Chapter 1 Message to Shareholders

Toung Loong Textile MFG. Co., Ltd.

Business Report

I. 2023 business results

(I) Business Plan Implementation Outcomes:

Item	2023	2022	Growth rate %
Consolidated operating revenue (NTD thousand)	2,818,246	4,099,883	-31.26%
Consolidated operating income (NTD thousand)	(9,308)	160,574	-105.80%
Consolidated profit before tax (NTD thousand)	(12,594)	205,747	-106.12%
Consolidated current net profit (NTD thousand)	(12,152)	172,300	-107.05%
Net income attributable to shareholders of parent company (NTD thousand)	(15,908)	167,570	-109.49%
EPS (NT\$)	(0.13)	1.37	-109.49%
Explanation: Revenue declined and profit and loss was affected as a result of the reduction of orders from downstream customers.			

(II) Budget Execution:

Pursuant to the "Regulations Governing the Publication of Forecast Financial Information of Public Companies," the Company did not disclose the financial information in 2023 and was not required to disclose budget execution.

(III) Analysis of consolidated financial income, expenses and profitability:

Item		2023	2022
Financial structure	Debt to assets ratio (%)	54.21	53.35
	Long-term funds to PPE ratio (%)	131.32	132.37
Profitability	ROA (%)	0.52	3.29
	ROE (%)	(0.45)	6.22
	Net profit margin (%)	(0.43)	4.20
	EPS (NT\$)	(0.13)	1.37
Description: The decline in revenue resulted in a decrease in profits, and various profitability ratios decreased accordingly.			

(IV) Research and development status:

The Company's R&D department continues to develop new products and improve the production process every year to respond to market demand and fashion trends, and cooperate with brands and customers in R&D for a purely market-oriented approach.

II. Summary of the 2024 business plan

(I) Business policy:

Adhering to our consistent operating philosophy, the Company strengthens market development, researches innovation, and produces and sells high value-added products to meet market demand. Moreover, we are actively implementing rationalization plans to fully utilize the efficiency of existing equipment capacity, strengthening management, improving quality to satisfy customers, and striving to create business growth.

(II) Expected sales volume and basis:

Pursuant to the "Regulations Governing the Publication of Forecast Financial Information of Public Companies," the Company did not need to disclose the 2024 financial forecast information.

(III) Important production and distribution policies:

Strengthen R&D capabilities, improve product structure, and develop high value-added products to replace products with low added value and post-processing. Utilizing various automated supporting equipment and the technology and experience accumulated over the long term, we cooperate with downstream partners to develop special fibers. By combining air mingling, draw mingling, and compound mingling technologies, we develop various high-grade leisure and women's knitted fabric yarns with different functions. In collaboration with upstream suppliers of renowned brand raw materials, we develop new materials for apparel brands to use in underwear, leisure, and outdoor sportswear. In this regard, we have already achieved remarkable accomplishments. Recently, the market acceptance of these products has been high. When the economic situation improves slightly, we will timely utilize our equipment capacity to respond to the rapidly changing market demands.

III. Future development strategies of the Company:

Based on our existing foundation, the Company will strive to develop new products to lead the market and drive market demand trends. We are also committed to establishing a brand marketing strategy that aligns with international industry trends. We will strengthen the appeal of environmentally friendly, energy-saving, and carbon-reducing products, and develop relevant competitive products to pursue the Company's sustainable and long-term development niche.

IV. Impacts of the external competitive environment, regulatory environment and overall business environment

Due to the intense competition in the international economic situation, all aspects of the operating environment and conditions are in a state of flux and difficult to grasp. The Company belongs to the textile midstream processing industry, and our performance is affected by domestic downstream manufacturers' order intake. Additionally, factors such as increasingly stringent environmental regulations and various management regulations imposed by the competent authorities impact the Company's operating costs. To maintain the company's operations, we will comprehensively evaluate the impact of various environmental factors and make timely and appropriate choices when formulating operational plans and investment decisions.

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting supervisor: Tai-Chen Chen

Chapter 2 Company Profile

I. Date of incorporation: August 14, 1961

Address and phone numbers of the Company's Head Office and plants:

Name	Address	TEL
Head Office	19F., No. 31, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	(02)2961-2112
Taoyuan Plant	No. 859, Fuguo Rd., Xipu Vil., Taoyuan County	(03)323-4111
Changhua Plant	No.11, Gongqu 3rd Rd., Fangyuan Industrial Park, Changhua County	(04)896-8808

II. Company History

Toung Loong Nylon Thread Co., Ltd., a sewing thread factory and predecessor of Toung Loong Textile MFG. Co., Ltd., was established with funds raised by Tian-Tsai Yu, Chin-Mao Chen, Chin-Sen Chen, and Ta-Tung Lin in Puqian, Banqiao with its domicile on Heping East Rd., Taipei City in 1960. When the Company initiated its business operations in 1961, its capital amounted to NT\$ 1 million. Under the leadership of Chairman Ta-Tung Lin, Toung Loong engaged in the manufacture of different types of industrial thread. Due to the valuable technical assistance provided by Mr. Nakayama of the Japanese Toray Group, business flourished and demand exceeded supply, which enabled Toung Loong to build an excellent reputation and solid foundation in those early years.

- 1971 Capital increase to NT\$ 10 million
- 1972 Purchase of around 20,000 square meters of land in Xipu Village, Taoyuan City for the construction of two plants to meet market demands and intensify domestic and overseas sales.
- 1973 Commissioning of the Taoyuan Plant, further capital increase to NT\$ 60 million, and manpower expansion from 3 to 40 and then to 3-400 employees; transformation of Toung Loong into the largest thread manufacturer in Taiwan, well-known domestically and abroad, as a result of the continued expansion and ongoing efforts.
- 1976 After Mr. Lin's passing, Mr. Tian-Tsai Yu takes over as Chairman. The new chairman is actively committed to equipment renewal and recruitment of outstanding talent to enhance management quality and hone the Company's competitive edge. Mr. Yu also replaces all outdated twisting machines, purchases brand-new European double twitching machines, and adopts computerized dyeing, labor-saving operation modes, and diversified sales operations. These reform measures inject new vitality and momentum into the company and convert Toung Loong from a professional sewing thread provider into a composite manufacturer of thread and yarn.
- 1984 Capital increase to NT\$ 105 million
- 1985 Capital increase to NT\$ 120 million
- 1986 Capital increase to NT\$ 150 million
- 1989 Capital increase to NT\$ 195 million After Mr. Tian-Tsai Yu's death, Mr. Chin-Mao Chen succeeds him as Chairman. He steps up innovation efforts and takes the

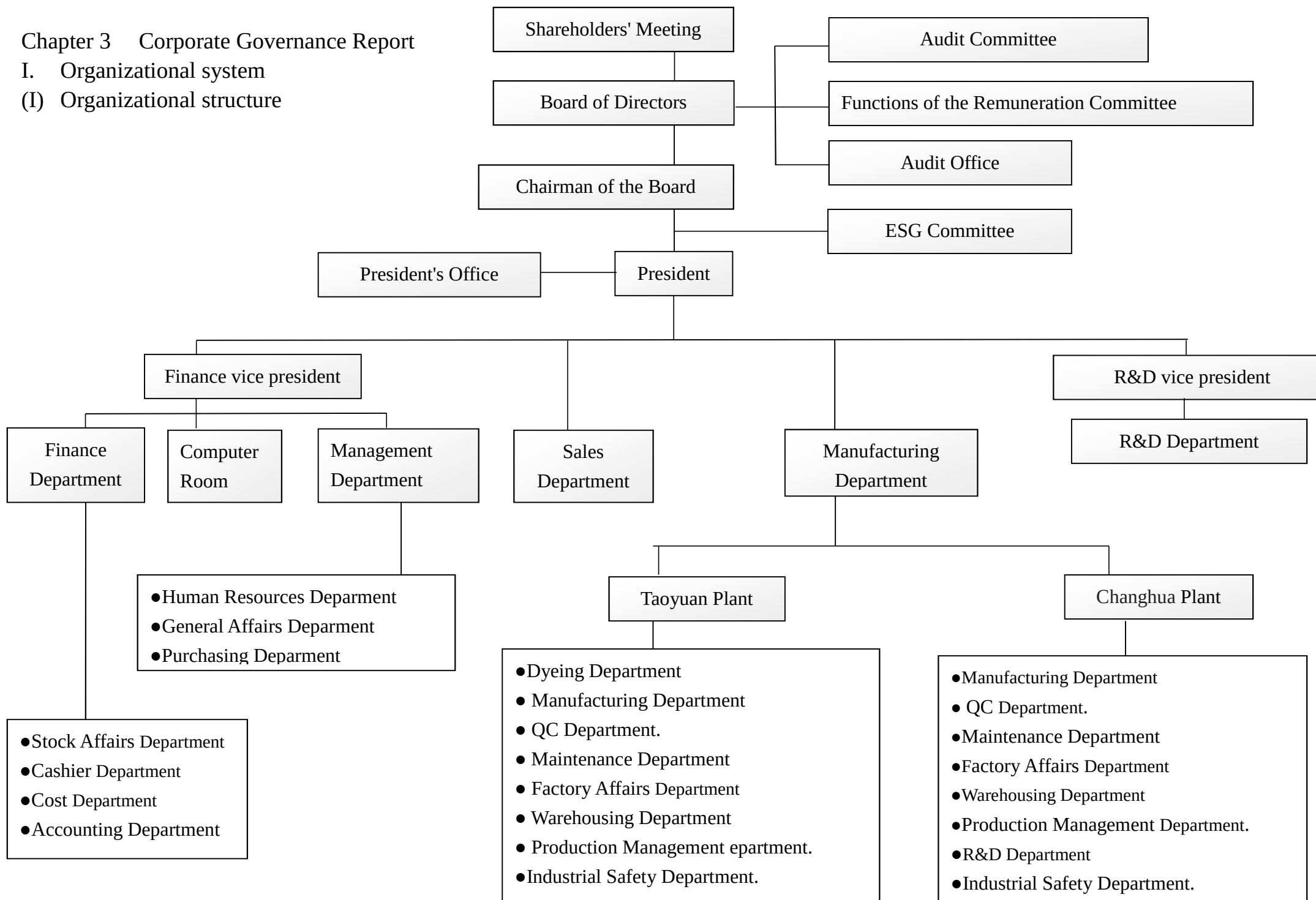
	initiative in developing new products and adopting air textured machines. At this stage, the Company mainly produces wool-like yarn, new synthetic yarn, and microfiber yarn.
1990	Construction of the second plant in the Fangyuan Industrial Park for the manufacture of professional fabric yarn and processed yarn.
1991	Due to the manufacturing operations of the Changhua Plant since July 1991, Toung Loong joins the ranks of professional air textured and top-quality weaving yarn manufacturers. In the same year, its revenues soared to NT\$ 730 million.
1992	In June 1992, Chairman Chen makes up his mind to retire with a view to rejuvenating the Company and giving the younger generation a chance for promotion. His successor Hsiu-Hsiung Yu forges ahead on the path toward production automation, new product development, and raising of capital from the public. The capital is further increased to NT\$ 300 million in 1992 through a public share offering. These combined efforts put Toung Loong on a par with renowned thread manufacturers in industrialized nations.
1993	<p>(1) The Company decides to close down the unprofitable Banqiao Plant, move the original machinery and equipment of this plant to the Taoyuan Plant, and sell the land occupied by the shut-down plant to a condominium developer.</p> <p>(2) Commitment to the development of products with high added value (Nylon air textured yarn suitable for leotards and swimsuits has already been successfully developed and is scheduled to enter mass production in 1994, which is projected to generate significant profits)</p> <p>(3) Capital increase to NT\$ 360 million in 1993</p>
1994	Capitalization of earnings and capital reserves amounting to NT\$ 57.60 million and cash capital increase of NT\$ 20 million in October and December, respectively; after these capital increases, the total capital of the Company reaches 437.6 million.
1995	Capitalization of capital reserves amounting to NT\$ 10.9 million in November; after this capital increase, the total capital equals NT\$ 448.54 million
1996	OTC trading of the Company's shares is approved by Taipei Exchange and authorized upon review by the Securities Management Commission. In May of the same year, the Company's issued stocks are formally listed as the first textile stocks for trading on Taipei Exchange.
1997	Cash capital increase of NT\$ 300 million and capitalization of capital reserves and earnings amounting to NT\$ 69,339,400 and NT\$ 69,339,400, respectively; after these capital increases, the total capital of the Company reaches NT\$ 1,132,072,800. Changhua Plant expansion through the addition of air texturing and false twisting machinery
1998	Capitalization of capital reserves and earnings amounting to NT\$ 203,773,100; after this capital increase, the total capital equals NT\$ 1,335,845,900 Passing of the certification audit for the ISO-9002 Quality Management System; official initiation of suture mass production by Vietnam Plant
1999	Capitalization of capital reserves amounting to NT\$ 66,792,300; after this capital increase, the total capital reaches NT\$ 1,402,638,200.
2000	Capitalization of capital reserves amounting to NT\$ 49,092,400; after this capital increase, the total capital equals NT\$ 1,451,730,600.
2006	Short-form merger between the Company and its subsidiary; common shares originally held by the subsidiary are converted into treasury stock and the capital is decreased through share cancellation; after this capital increase, the paid-in capital drops to NT\$ 1,202,862,860.
2007	Commissioning of reinvested Cambodia Plant

2010	Purchase of a third plant area in Changhua and addition of air texturing machinery
2011	Addition of ATY machinery
2012	Construction of additional factory buildings, a dormitory, and a staff canteen in the second plant area in Changhua and purchase of additional false twisting machinery.
2013	Purchase of land and factory buildings adjacent to the Changhua Plant from Cryomax; construction of additional factory buildings and addition of machinery in the second plant area in Changhua Addition of a dyeing and finishing factory building and relevant equipment in the Taoyuan Plant to increase the dyed yarn production capacity; expansion of the wastewater treatment plant to boost its wastewater treatment capacity
2014	Addition of ATY machinery
2015	Remodeling of the Changhua Plant office and addition of false twisting machinery; addition of yarn dyeing equipment in the Taoyuan Plant
2016	Addition of ATY and false twisting machinery
2017	Purchase of land and factory buildings in the Fangyuan Industrial Park from NienMade
2018	Land purchase in Taoyuan
2020	Remodeling of the fourth plant area in Changhua and addition of false twisting machinery
2022	This year's capital increase from earnings of NTD Two Thousand Four Million Five Seventy Two Hundred Sixty, the share capital after the capital increase is One Hundred Two Hundred Twenty Six Million and Two Hundred Two Hundred and One Hundred and One Hundred Two Hundred Twenty Nine Million.

Chapter 3 Corporate Governance Report

I. Organizational system

(I) Organizational structure



(II) Operations and functions of major departments:

Audit Committee	Assistance to the Board of Directors in the monitoring and supervision of compliance by the Company with the Company Act and the Securities and Exchange Act and effective exercise of the powers endowed by other applicable laws
Functions of the Remuneration Committee	Assistance to the Board of Directors in the deliberation, formulation, and regular assessment of performance assessment and remuneration policies for the Company's directors and managerial officers in overall consideration of key factors such as company business performance, personal performance, industry standards, and future risks
ESG Committee	Implementation of corporate governance, fostering of environmental sustainability, maintenance of social welfare, enhanced disclosure of CSR-related information, and formulation of sustainable development policies, systems, management approaches, and concrete promotion plans; regular convening of meetings and organization of discussions on material issues on a non-scheduled basis as required
Audit Office	Planning and establishment of internal systems and confirmation of their proper implementation; assessment and analysis of operating and management performance of Company departments
President's Office	Formulation of business plans, analysis, and project-based research
Finance Department	Handling of accounts, bookkeeping, and tax affairs, fund management, and stock affairs
Computer Room	Promotion and integration of computerized operations and planning and maintenance of a secure information environment
Management Department	HR management, general affairs planning, and procurement
Sales Department	Product sales, market expansion, customer credit check, and collection of business information
Manufacturing Department	Adoption and coordination of manufacturing plans, planning and execution of production schedules, and maintenance of environmental safety and health
R&D Department	Research and development of products and processes and design, development, and testing of new products

II. Information about Director(s), Supervisor(s), President(s), Vice President(s), Assistant Vice President(s) (AVP), and Department/Branch Head(s):

(I) Directors/Supervisors

(1) Director and supervisor information

April 15, 2024 Unit: shares; %																					
Position	Nationality or place of registration	Name	Age	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding other positions of the Company and other companies at present	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship			Remarks
								Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %			Position	Name	Relationship	
Chairman	R.O.C.	Chih-Chen Yu	61-70	Male	2022.06.16	3 years	2018.07.10	2,880,396	2.39%	2,938,003	2.39%	1,271,254	1.04%	0	0	Chairman of Toung Loong Textile MFG. Co., Ltd.	Note 1	Director	Ching-Chung Yu	Brothers	N / A
Director	R.O.C.	Jung-Chieh Yu	51-60	Male	2022.06.16	3 years	2004.06.10	6,601,686	5.49%	6,405,719	5.22%	204,357	0.17%	0	0	Manager of Toung Loong Textile MFG. Co., Ltd.	Note 2	Director	Rong-Lih Yu	Brothers	
Director	R.O.C.	Rong-Lih Yu	51-60	Male	2022.06.16	3 years	2007.06.20	6,243,230	5.19%	6,368,094	5.19%	271,361	0.22%	0	0	President of Toung Loong Textile MFG. Co., Ltd.	Note 3	Director	Jung-Chieh Yu	Brothers	
Director	R.O.C.	Ching-Chung Yu	71-80	Male	2022.06.16	3 years	2022.06.16	1,727,010	1.44%	1,761,550	1.44%	255,735	0.21%	0	0	Director of Sheng Chang Pharmaceutical Co., Ltd.	None	Chairman	Chih-Cheng Yu	Brothers	
Director	R.O.C.	MAO JIA INVESTMENT LTD.	-	Corporate entity	2022.06.16	3 years	2007.06.20	5,001,989	4.16%	5,043,028	4.11%	0	0.00%	0	0	Section Manager of Toung Loong Textile MFG. Co., Ltd.	None	None	None	None	
		Representative: Chiu-Yueh Chen	61-70	Female														None	None	None	
Director	R.O.C.	Siang Hao Investment Co.,LTD.	-	Corporate entity	2022.06.16	3 years	2007.06.20	1,025,000	0.85%	1,045,500	0.85%	0	0.00%	0	0	Vice President of Toung Loong Textile MFG. Co., Ltd.	Vice President of Toung Loong Textile MFG. Co., Ltd.	None	None	None	
		Representative: Kai-Ping Chang	51-60	Male														None	None	None	
Director (Note 5)	R.O.C.	Sara Rose International Inc.	-	Corporate entity	2022.06.16	3 years	2022.06.16	4,800,556	3.99%	4,896,567	3.99%	0	0.00%	0	0	Chairman of Sara Rose International Inc.	Chairman of Sara Rose International Inc.	None	None	None	
		Representative: Jing-Woei Jou	71-80	Male														None	None	None	
Director	R.O.C.	GTO CNC Solutions Corp.	-	Corporate entity	2022.06.16	3 years	2022.06.16	3,755,000	3.12%	3,830,100	3.12%	0	0.00%	0	0	Chairman of Yeong Chin Machinery Industries Co., Ltd.	Chairman of Yeong Chin Machinery Industries Co., Ltd.	None	None	None	
		Representative: Po-Yang Chen	51-60	Male														None	None	None	
Independent director	R.O.C.	Hsueh-Tao Wu	71-80	Male	2022.06.16	3 years	2014.06.04	5,000	0.00%	5,100	0.00%	0	0.00%	0	0	AVP of Taiwan Cooperative Bank	None	None	None	None	
Independent director	R.O.C.	Tai-Feng Huang	61-70	Male	2022.06.16	3 years	2016.06.07	0	0.00%	0	0.00%	0	0.00%	0	0	Attorney-at-law at Taili Law Firm	Attorney-at-law at Taili Law Firm	None	None	None	
Independent director	R.O.C.	Yu-Te Ma	61-70	Male	2022.06.16	3 years	2022.06.16	150,000	0.12%	106,080	0.09%	0	0.00%	0	0	Chairman of Mount Electronic Industrial Ltd.	Chairman of Mount Electronic Industrial Ltd.	None	None	None	
														0	0						

Note 1: Chairman of Lung Hsiang Hsing, Toung Loong Textile MFG (Vietnam) Co. Ltd., Sarah Global Co., Ltd., Sarah, Sun Beam Global Co.; and Director of Sara Rose International Inc.
Note 2: President of Toung Loong Textile MFG (Vietnam) Co. Ltd.; Director of Toung Loong Textile MFG (Vietnam) Co. Ltd., Sarah Global Co., Ltd., and Sarah
Note 3: President of Toung Loong Textile MFG. Co., Ltd.; Director of Toung Loong Textile MFG (Vietnam) Co. Ltd.
Note 4: Where the same person serves concurrently as the Chairperson and as the President (or an equivalent top executive position), or if the Chairperson is the spouse, or a relative within the first degree of kinship to the person assuming the aforementioned position(s), information pertaining to reasons, reasonableness, necessity, and measures adopted in response to such circumstances shall be disclosed as required.

(2) Major shareholders of a juristic person or major shareholders of a juristic person as the major shareholder:

April 15, 2024

Name of the corporate shareholder	Major shareholders of the corporate shareholder (shareholding %)
Sara Rose International Inc.	Jing-Woei Jou (49.13%); Wen-Chin Chen (9.76%); Han-Huai Cheng (4.79%); Chin-Chung Cheng (4.79%); Ji-Yen-Yen Yu (4.79%); Chih-Chen Yu (4.32%); Jung-Chieh Yu (3.47%); Rong-Lih Yu (3.47%), Rui-Ching Tsai (2.39%), Jia-Hsun Tsai (2.39%)
MAO JIA INVESTMENT LTD.	Yong-Fang Chen (20%); Yong-Chuan Chen (13.21%); Yu-Jen Chen (10%); Hong-Wei Chen (10%); Mei-Ling Song (8.93%); Yao-De Fang (8.32%); Wei-Da Chen (7.71%); Chiu-Yueh Chen (5.89%); Po-Chun Fang (5.64%), Tai-Sheng Fang (5.36%)
Siang Hao Investment Co.,LTD.	Rong-Chi Yu (14%), Hong-Chi Yu (14%), Dian Yu (14%), Shu-Hua You (12.5%), Jung-Chieh Yu (12.5%), Shu-Hui Yu (12.5%), Rong-Lih Yu (12.5%), Li-Wen Yeh (5%) and Chih-Chen Yu (3%)
GTO CNC Solutions Corp.	Wen Hsu-Ju (100%)

(3) Professional qualifications of directors and supervisors and disclosure of independence information for independent directors

Name	Professional qualifications and experience (Note 1)	Independence status (Note 2)	Number of public companies where the person holds the title as independent director
Chih-Chen Yu	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business None of the circumstances laid out in Article 30 of the Company Act applies Chairman of Toung Loong Textile MFG. Co., Ltd., Toung Loong Textile MFG (Vietnam) Co. Ltd., Sarah Global Co., Ltd., Lung Hsiang Hsing INT'L Co.,	Non-independent director, not applicable	None

	Ltd., Sarah International Co.,Ltd., Sun Beam Global Enterprise Co., Ltd., and Heng An Technology Corp., and Director of Sara Rose International Inc.		
Jung-Chieh Yu	<p>Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business</p> <p>None of the circumstances laid out in Article 30 of the Company Act applies</p> <p>Director of Toung Loong Textile MFG. Co., Ltd., President and Director of Toung Loong Textile MFG (Vietnam) Co. Ltd., Director of Sarah Global Co., Ltd. and Sarah International Co.,Ltd.</p>	Non-independent director, not applicable	None
Rong-Lih Yu	<p>Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business</p> <p>None of the circumstances laid out in Article 30 of the Company Act applies</p> <p>Director and President of Toung Loong Textile MFG. Co., Ltd., Director of Toung Loong Textile MFG (Vietnam) Co. Ltd.</p>	Non-independent director, not applicable	None
Ching-Chung Yu	<p>Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business</p> <p>None of the circumstances laid out in Article 30 of the Company Act applies</p> <p>Director of Sheng Chang Pharmaceutical Co., Ltd.</p>	Non-independent director, not applicable	None
Representative of Mao Jia Investment Ltd.: Chiu-Yueh Chen	<p>Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary</p>	Non-independent director, not applicable	None

	for company business None of the circumstances laid out in Article 30 of the Company Act applies Director and Section Manager of Toung Loong Textile MFG. Co., Ltd.		
Representative of Siang Hao Investment Co., Ltd.: Kai-Ping Chang	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business None of the circumstances laid out in Article 30 of the Company Act applies Director and Vice President of Toung Loong Textile MFG. Co., Ltd.	Non-independent director, not applicable	None
Representative of Sara Rose International Inc.: Jing-Woei Jou	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business None of the circumstances laid out in Article 30 of the Company Act applies Chairman of Sara Rose International Inc. and Bzyoo International Inc., Director of Ying Pan Investment & Development Co., Ltd.	Non-independent director, not applicable	None
Representative of GTO CNC Solutions Corp: Po-Yang Chen	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business None of the circumstances laid out in Article 30 of the Company Act applies Chairman of Yeong Chin Machinery Industries Co., Ltd., Director of Sheng Chang Pharmaceutical Co., Ltd., Excetek Technologies Co., Ltd., and Dot Zero Co., Ltd., Executive Director of Precision Machinery Development Association of R.O.C., Director of Precision Machinery Research Development Center, and Managing Director of Taiwan Machine Tool Foundation	Non-independent director, not applicable	None
Hsueh-Tao Wu (Independent director)	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business None of the circumstances laid out in Article 30 of the Company Act applies	In accordance with the provisions of the company's articles of incorporation, directors are elected through a candidate nomination system. When nominating and selecting board	None

	out in Article 30 of the Company Act applies Branch Manager, Head Office Director, AVP, and Senior Executive Office of Taiwan Cooperative Bank	members, the company has obtained written statements, work experience records, and familial relationship forms from each director to verify and confirm their independence from the company, their spouses, and relatives within the third degree of kinship. The Company has also verified that the independent directors, during the two years prior to their appointment and throughout their tenure, have met the qualification requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission and Article 14-2 of the Securities and Exchange Act. Moreover, the independent directors have been granted full authority to participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, thereby independently exercising their relevant powers and functions.	None
Tai-Feng Huang (Independent director)	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business. None of the circumstances laid out in Article 30 of the Company Act applies. Attorney-at-law at Taili Law Firm, Chinese Arbitration Association Consultant. Independent Director of Toung Loong Textile MFG. Co., Ltd. and Director of Forward Media Ltd.		
Yu-Te Ma (Independent director)	Possesses valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business. None of the circumstances laid out in Article 30 of the Company Act applies. Chairman of Mount Electronic Industrial Ltd.		
<p>Note 1: Professional qualifications and experience: Description of the professional qualifications and experience of individual directors and supervisors (e.g., required accounting or financial expertise of audit committee members should be demonstrated through a detailed description of accounting or professional backgrounds and relevant work experience; applicability of the conditions specified in Article 30 of the Company Act should also be specified).</p> <p>Note 2: Conformity of independent directors with applicable independence criteria including, but not limited to, the following should also be specified: the director himself/herself, his/her spouse, or relatives within the second degree of kinship holding the position of director, supervisor, or employee of this Company or one of its affiliates; number of held shares and the shareholding percentages of the director himself/herself, his/her spouse, or relatives within the second degree of kinship (or under the name of a third party) ; positions (director, supervisor, or employee) held at a company that has a special relationship with this Company (as stipulated in Article 3, Paragraph 1, Subparagraph 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); received remuneration for business, legal, financial, and accounting services provided to this Company or one of its affiliates within the most recent two years.</p>			

Board diversity and independence:

- i. Board diversity: The Company has appointed 11 directors (including 3 independent directors) in line with its business scope and development needs. Their professional backgrounds indicate that they are industry, legal, and management experts. This clearly shows that the board diversity policy of the Company has been effectively implemented. Core policy goals include: 1. The composition of the board of directors shall be determined by taking diversity into consideration and an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards: (1) Basic requirements and values: Gender, age, nationality, and culture; (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. 2. All members of the board shall have the knowledge, skills, and literacy necessary to perform their duties. The board of directors shall possess the following abilities: (1) Ability to make operational judgments (2) Ability to perform accounting and financial analysis (3) Ability to conduct management administration (4) Ability to conduct crisis management (5) Industry knowledge (6) International market perspective (7) Leadership ability (8) Decision-making ability

The composition and professional competence of the Board of Directors is as follows:

Position	Name	Basic composition				Professional ability							Decision-making ability
		Nationality	Gender	Age	Length of tenure of independent directors	Operational judgment	Accounting and financial analysis	Operation and management	Crisis management	Industry experience	International market perspective	Leadership ability	
Director	Chih-Chen Yu	R.O.C.	Male	71-80		V	V	V	V	V	V	V	V
	Jung-Chieh Yu	R.O.C.	Male	51-60		V		V	V	V	V	V	V
	Rong-Lih Yu	R.O.C.	Male	51-60		V		V	V	V	V	V	V
	Ching-Chung Yu	R.O.C.	Male	71-80		V		V	V	V	V	V	V
	Chiu-Yueh Chen	R.O.C.	Female	61-70		V	V	V	V	V	V	V	V
	Kai-Ping Chang	R.O.C.	Male	51-60		V		V	V	V	V	V	V
	Jing-Woei Jou	R.O.C.	Male	71-80		V	V	V	V	V	V	V	V
	Po-Yang Chen	R.O.C.	Male	51-60		V		V	V		V	V	V
	Hsueh-Tao Wu	R.O.C.	Male	71-80	6 - 9 years	V	V	V	V	V	V	V	V
Independent director	Tai-Feng Huang	R.O.C.	Male	61-70	6 - 9 years	V		V	V	V	V	V	V
	Yu-Te Ma	R.O.C.	Male	61-70	Less than 3 years	V		V	V		V	V	V

- ii. Board independence: The Board of Directors of this Company is composed of 11 members. The three independent directors account for 27.27% of the board membership, which ensures sufficient independence in the exercise of powers by the board. None of the circumstances laid out in Article 26-3, Paragraph 3 of the Securities and Exchange Act apply to the board members.

◆ The specific management goals and achievements of the Company and the diversity of the Board of Directors are as follows:

Management objectives		Achievement status
In order to achieve gender equality in the composition of the board of directors, one of the directors is female; and at least three seats of independent directors have been set.		✓
Diversified professional knowledge and skills		✓
Directors concurrently serving as managerial officers do not exceed one-third of the board membership		✓

(II) President(s), Vice President(s), Assistant Vice President(s), and Department and Branch Head(s)

April 15, 2024

Job Title	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding positions in other companies at present	Managers Within the Second Degree of Kinship			Remarks (Note 4)
					Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %			Position	Name	Relationship	
President	R.O.C.	Rong-Lih Yu	Male	2019.06.20	6,368,094	5.19%	271,361	0.22%	0	0	College	Note 1	None	None	None	Not applicable
Vice President	R.O.C.	Tai-Chen Chen	Male	2019.07.01	147,704	0.12%	0	0.00%	0	0	College	Note 2	None	None	None	
Vice President	R.O.C.	Kai-Ping Chang	Male	2019.07.01	85,144	0.07%	61,938	0.05%	0	0	College	None	None	None	None	
AVP, Auditing Office	R.O.C.	Wu-Yu Peng	Male	1993.02.08	220,014	0.18%	0	0.00%	0	0	College	Note 3	None	None	None	

Note 1: Director of Toung Loong Textile MFG (Vietnam) Co. Ltd.,

Note 2: Director of Sarah Global Co., Ltd., Toung Loong Textile MFG (Vietnam) Co. Ltd., Lung Hsiang Hsing INT'L Co., Ltd., and Sarah International Co., Ltd.

Note 3: Director of Toung Loong Textile MFG (Vietnam) Co. Ltd., SARAH Corporation, Sarah Global Co., Ltd., Lung Hsiang Hsing INT'L Co., Ltd.

Note 4: Where the same person serves concurrently as the President (or an equivalent top executive position), or if the Chairperson is the spouse, or a relative within the first degree of kinship to the person assuming the aforementioned position(s), information pertaining to reasons, reasonableness, necessity, and measures adopted in response to such circumstances shall be disclosed as required.

(III)Remuneration paid to directors, supervisors, presidents, vice presidents, and top five highest-paid executives in the most recent year

1. Remuneration paid to independent and non-independent directors (names and remuneration methods should be clearly specified)

Currency unit: in NT\$ thousand

Position	Name	Remuneration to directors								The sum of A, B, C and D and percentage of net income after tax accounted for by that sum (%) (Note 10)				Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G as a percentage of net income after tax (%) (Note 10)				Remuneration received from the parent company other or reinvested businesses than the Company's subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Remuneration paid to directors (C) (Note 3)		Compensation for performance of duties (D) (Note 4)						Salaries, bonuses and special disbursements (E) (Note 5)		Pension (F)		Remuneration paid to employees (G) (Note 6)								
		Parent Company	All companies listed in the financial statement (Note 7)	Parent Company	All companies listed in the financial statement (Note 7)	Parent Company	All companies listed in the financial statement (Note 7)	Parent Company	All companies listed in the financial statement (Note 7)	Parent Company		All companies listed in the financial statement (Note 7)		Parent Company	All companies listed in the financial statement (Note 7)	Parent Company	All companies listed in the financial statement (Note 7)	Parent Company		All companies included into the financial statement.						
										Total	Percentage of net income (%)	Total	Percentage of net income (%)					Cash dividends	Stock compensations	Cash dividends	Stock compensations	Total	Percentage of net income (%)	Total	Percentage of net income (%)	
Chairman	Chih-Cheng Yu	0	0	0	0	0	0	5,537	5,537	5,537	-34.81%	5537	-34.81%	0	0	0	0	0	0	0	0	5,537	-34.81%	5,537	-34.81%	None
Director	Jung-Chieh Yu	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	2,060	2,857	0	0	0	0	0	0	2,300	-14.46%	3,097	-19.47%	
Director	Rong-Lih Yu	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	3,325	3,325	0	0	0	0	0	0	3,565	-22.41%	3,565	-22.41%	
Director	Ching-Chung Yu	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Director	MAO JIA INVESTMENT LTD.	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	
	Representative: Chiu-Yueh Chen	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Director	Siang Hao Investment Co.,LTD.	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
	Representative: Kai-Ping Chang	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	2,309	2,309	106	106	0	0	0	0	2,415	-15.18%	2,415	-15.18%	
Director	Sara Rose International Inc.	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	
	Representative: Jing-Woei Jou	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Director	GTO CNC Solutions Corp.	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0	0.00%	
	Representative: Po-Yang Chen	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Independent director	Hsueh-Tao Wu	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Independent director	Tai-Feng Huang	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	
Independent director	Yu-Te Ma	0	0	0	0	0	0	240	240	240	-1.51%	240	-1.51%	0	0	0	0	0	0	0	0	240	-1.51%	240	-1.51%	

1. Please describe the policy, system, standards, and structure for compensating independent directors, and explain the correlation between the compensation amount and factors such as responsibilities assumed, risks, and time invested: Independent directors receive a monthly business execution fee, and an annual director's compensation is distributed based on the Company's profit status and the average amount allocated to general directors.

2. Remunerations other than those listed in the table above received by directors for provided services (e.g., directors serve as consultants without employment status at the parent company/companies listed in financial statements/reinvested businesses) in the most recent fiscal year: None

Note 1: Director names should be listed separately (for corporate shareholders, the name of the shareholder and its representative should be listed), independent and non-independent directors should be listed separately, and payments should be disclosed in summarized form. Concurrent appointments of directors as President or Vice President should be listed in this table (3-1) or the tables below (3-2-1) and (3-2-2).

Note 2: This refers to director remunerations in the most recent fiscal year (including salaries, special responsibility allowances, severance pay, different bonuses, and incentives).

Note 3: Director compensations approved by the Board of Directors in the most recent fiscal year.

Note 4: This refers to payments associated with the performance of duties by directors in the most recent fiscal year (including transportation and other allowances, special disbursements, accommodation, and dispatch of company vehicles etc.). If housing, cars, or other means of transportation or exclusively personal expenses are provided, the nature and cost of the provided asset, the actual or fair-market-value of the rental, fuel expenses, and other payments should be disclosed. If a driver is assigned, please specify the remuneration paid to the driver (not to be included in the calculation of director compensations).

Note 5: This refers to payment of salaries, special responsibility allowances, severance pay, different bonuses and incentives, transportation allowances, special disbursements and other allowances, or provision of housing or company vehicles for concurrent positions (including President, Vice President, managerial officer, and other positions) held by directors in the most recent fiscal year. If housing, cars, or other means of transportation or exclusively personal expenses are provided, the nature and cost of the provided asset, the actual or fair-market-value of the rental, fuel expenses, and other payments should be disclosed. If a driver is assigned, please specify the remuneration paid to the driver (not to be included in the calculation of director compensations). Other salaries and remunerations listed in "Share-Based Payment" of IFRS2 including employee stock warrants, restricted stock awards, and cash capital increase share subscriptions should be included in the calculation of remunerations.

Note 6: This refers to employee compensations (including stock and cash) received by directors for concurrent positions (including President, Vice President, managerial officer, and other positions) held in the most recent fiscal year. Such compensations distributed upon approval by the Board of Directors in the most recent fiscal year should be disclosed. If estimates are impossible, amounts to be distributed in the current year should be calculated proportionate to actual compensations distributed in the previous year. Such compensations should be indicated in attached table 1-3.

Note 7: Total remunerations paid to directors of the Company by all companies (including this Company) listed in the consolidated financial statement should be disclosed herein.

Note 8: As for total remunerations paid by the Company to each director, the names of directors should be disclosed in the respective remuneration brackets.

Note 9: As for total remunerations paid to each director of the Company by all companies (including this Company) listed in the consolidated financial statement, the names of directors should be disclosed in the respective remuneration brackets.

Note 10: The term "Net Income" refers to the amount specified in the parent company only or an individual financial statement in the most recent fiscal year.

Note 11: a. In this field, remunerations received by directors from companies (reinvested businesses or the parent company) other than the Company's subsidiaries should be clearly specified (please specify "None" if no such remunerations have been received) b. If directors have received such remunerations from reinvested businesses or the parent company, the total amount should be included in field I of the remuneration bracket table and the field should be renamed to "Parent Company and all Reinvested Businesses". c. The term "Remuneration" refers to remunerations and compensations (employee, director, and supervisor compensations) and payments associated with the performance of duties received by directors of the Company for concurrent appointments as director, supervisor, or managerial officer at a reinvested business or the parent company.

2. Remuneration paid to President(s) and Vice President(s) (names and remuneration methods should be clearly specified)

Currency unit: in NT\$ thousand

Position	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and special disbursements (C) (Note 3)		Employee compensations (D) (Note 4)				The sum of A, B, C and D and percentage of net income after tax accounted for by that sum (%) (Note 8)				Remuneration received from the parent company other or reinvested businesses than the Company's subsidiaries (Note 9)
		Parent Company	All companies listed in the financial statement (Note 5)	Parent Company	All companies listed in the financial statement (Note 5)	Parent Company	All companies listed in the financial statement (Note 5)	Parent Company		All companies listed in the financial statement (Note 5)		Parent Company		All companies included into the financial statement.		
								Cash dividends	Stock compensations	Cash dividends	Stock compensations	Total	Percentage of net income (%)	Total	Percentage of net income (%)	
President	Rong-Lih Yu	2,425	2,425	0	0	900	900	0	0	0	0	3,325	-20.90%	3,325	-20.90%	None
Vice President	Tai-Cheng Chen	2,150	2,966	0	0	551	551	0	0	0	0	2,701	-16.98%	3,517	-22.11%	
Vice President	Kai-Ping Chang	1,757	1,757	106	106	552	552	0	0	0	0	2,415	-15.18%	2,415	-15.18%	

Note 1: President and Vice President names should be listed separately and payments should be disclosed in summarized form. Concurrent appointments of directors as President or Vice President should be listed in this table (1-1) or (1-2-1) and (1-2-2).

Note 2: Salaries, special responsibility allowances, and severance pay received by President(s) and Vice President(s) in the most recent fiscal year.

Note 3: Received bonuses and incentives, transportation allowances, special disbursements and other allowances, housing or company vehicles provided to, or other remunerations paid to President(s) or Vice President(s) in the most recent fiscal year. such as housing, cars, or other means of transportation or exclusively personal expenses are provided, the nature and cost of the provided asset, the actual or fair-market-value of the rental, fuel expenses, and other payments should be disclosed. If a driver is assigned, please specify the remuneration paid to the driver (not to be included in the calculation of director compensations). Other salaries and remunerations listed in “Share-Based Payment” of IFRS2 including employee stock warrants, restricted stock awards, and cash capital increase share subscriptions should be included in the calculation of remunerations.

Note 4: Employee compensations (including stock and cash) received by President(s) and Vice President(s) upon approval by the Board of Directors in the most recent fiscal year. If estimates are impossible, amounts to be distributed in the current year should be calculated proportionate to actual compensations distributed in the previous year. Such compensations should be indicated in attached table 1-3.

Note 5: Total remunerations paid to President(s) and Vice President(s) of the Company by all companies (including this Company) listed in the consolidated financial statement should be disclosed herein.

Note 6: As for total remunerations paid by the Company to each President and Vice President, the names of President(s) and Vice President(s) should be disclosed in the respective remuneration brackets.

Note 7: As for total remunerations paid to each President and Vice President of the Company by all companies (including this Company) listed in the consolidated financial statement, the names of President(s) and Vice President(s) should be disclosed in the respective remuneration brackets.

Note 8: The term “Net Income” refers to the amount specified in the parent company only or an individual financial statement in the most recent fiscal year.

Note 9: a. In this field, remunerations received by President(s) and Vice President(s) from companies (reinvested businesses or the parent company) other than the Company’s subsidiaries should be clearly specified (please specify “None” if no such remunerations have been received).

b. If President(s) and Vice President(s) have received such remunerations from reinvested businesses or the parent company, the total amount should be included in field E of the remuneration bracket table and the field should be renamed to “Parent Company and all Reinvested Businesses”.

c. The term “Remuneration” refers to remunerations and compensations (employee, director, and supervisor compensations) and payments associated with the performance of duties received by President(s) and Vice President(s) of the Company for concurrent appointments as director, supervisor, or managerial officer at a reinvested business or the parent company.

* Remunerations disclosed in this table differ from the term “income” as defined in the Income Tax Act. This table solely serves the purpose of information disclosure and cannot be used for taxation purposes.

3. Remuneration paid to the five highest-paid executives of the Company (names and remuneration methods should be clearly specified) (Note)

Currency unit: in NT\$ thousand

Position	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and special disbursements (C) (Note 3)		Employee compensations (D) (Note 4)				The sum of A, B, C and D and percentage of net income after tax accounted for by that sum (%) (Note 6)				Remuneration received from the parent company other or reinvested businesses than the Company's subsidiaries (Note 7)
		Parent Company	All companies listed in the financial statement (Note 5)	Parent Company	All companies listed in the financial statement (Note 5)	Parent Company	All companies listed in the financial statement (Note 5)	Parent Company		All companies listed in the financial statement (Note 5)		Parent Company	All companies included into the financial statement.	Parent Company	All companies included into the financial statement.	
								Cash dividends	Stock compensations	Cash dividends	Stock compensations	Total	Percentage of net income (%)	Total	Percentage of net income (%)	
President	Rong-Lih Yu	2,425	2,425	0	0	900	900	0	0	0	0	3,325	-20.90%	3,325	-20.90%	None
Vice President	Tai-Cheng Chen	2,150	2,966	0	0	551	551	0	0	0	0	2,701	-16.98%	3,517	-22.11%	
Vice President	Kai-Ping Chang	1,757	1,757	106	106	552	552	0	0	0	0	2,415	-15.18%	2,415	-15.18%	
Assistant Vice President (AVP)	Wu-Yu Peng	1,993	2,809	0	0	490	490	0	0	0	0	2,483	-15.61%	3,299	-20.74%	

Note 1: The term executive in “Five Highest-paid Executives” refers to managerial officers defined in accordance with the applicable scope and standards laid out in Official Letter Tai-Cai-Zheng-San-Zi No.0920001301 issued by the Securities and Futures Commission of the Ministry of Financial Affairs on March 27, 2003. These five executives are identified and ranked in order of earned remuneration based on the sum of salaries (A), pension payments (B), bonuses and special disbursements (C), and employee compensations (D) received by managerial officers from all companies listed in the consolidated financial statement (A+B+C+D). If a director concurrently serves as one of these five executives, it should be indicated in this table and the table above (1-1).

Note 2: Salaries, special responsibility allowances, and severance pay of the aforementioned five highest-paid executives in the most recent fiscal year.

Note 3: Received bonuses and incentives, transportation allowances, special disbursements and other allowances, housing or company vehicles provided to, or other remunerations paid to five highest-paid executives in the most recent fiscal year. If housing, cars, or other means of transportation or exclusively personal expenses are provided, the nature and cost of the provided asset, the actual or fair-market-value of the rental, fuel expenses, and other payments should be disclosed. If a driver is assigned, please specify the remuneration paid to the driver (not to be included in the calculation of director compensations). Other salaries and remunerations listed in “Share-Based Payment” of IFRS2 including employee stock warrants, restricted stock awards, and cash capital increase share subscriptions should be included in the calculation of remunerations.

Note 4: Employee compensations (including stock and cash) received by the top five highest-paid executives upon approval by the Board of Directors in the most recent fiscal year. If estimates are impossible, amounts to be distributed in the current year should be calculated proportionate to actual compensations distributed in the previous year. Such compensations should be indicated in attached table 1-3.

Note 5: Total remunerations paid to the five highest-paid executives of the Company by all companies (including this Company) listed in the consolidated financial statement should be disclosed herein.

Note 6: The term “Net Income” refers to the amount specified in the parent company only or an individual financial statement in the most recent fiscal year.

Note 7: a. In this field, remunerations received by the five highest-paid executives from companies (reinvested businesses or the parent company) other than the Company’s subsidiaries should be clearly specified (please specify “None” if no such remunerations have been received)

b. The term “Remuneration” refers to remunerations and compensations (employee, director, and supervisor compensations) and payments associated with the performance of duties received by the five highest-paid executives of the Company for concurrent appointments as director, supervisor, or managerial officer at a reinvested business or the parent company.

* Remunerations disclosed in this table differ from the term “income” as defined in the Income Tax Act. This table solely serves the purpose of information disclosure and cannot be used for taxation purposes.

(IV) Compensations distributed to managerial officers, and the status of distribution: None

(V) Analysis of the remuneration paid to directors, supervisors, presidents and vice presidents by the Company and companies listed in the consolidated financial statements as a percentage of net income within the most recent two (2) years, and description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk:

- i. 2022: remunerations paid to such executives accounted for 19.47% of the net income as stated in the parent company only financial statement and 20.17% of the net income as stated in the consolidated financial statement.
2023: remunerations paid to such executives accounted for -115.9% of the net income as stated in the parent company only financial statement and -126.04% of the net income as stated in the consolidated financial statement.
- ii. The policies, standards and components of remuneration, the procedures for determining remuneration, and their linkage to operating performance and future risks:
 - (i) Policies, standards, and packages for payment of remuneration:
 - 1. Regarding the remuneration of the Company's directors, in accordance with Article 19 of the Company's Articles of Incorporation, regardless of whether the Company operates at a profit or loss, they may be paid remuneration for their services. The board of directors is authorized to determine their remuneration based on their level of participation in the Company's operations and with reference to the usual standards in the same industry. If the Company has earnings, in accordance with Article 30 of the Company's Articles of Incorporation, an amount equivalent to less than 5% of the current year's earnings shall be distributed as remuneration to directors. The Company regularly evaluates directors' remuneration in accordance with the "Procedures for Performance Evaluation of the Board of Directors," and the relevant performance evaluation and the reasonableness of the remuneration have been reviewed by the Remuneration Committee and the Board of Directors.
 - 2. The remuneration for the Company's managers is clearly stipulated in the "Regulations for Managing Remuneration of Directors and Managers", including various work allowances and bonuses, to sympathize with and reward employees for their hard work and dedication. Relevant bonuses are also granted based on the Company's annual operating performance, financial status, operating conditions, and individual work performance. Additionally, if the Company makes a profit in a given year, in accordance with Article 30 of the Company's Articles of Incorporation, 1% or more of the profit shall be allocated as employee compensation. The Company uses the results of its performance appraisal system as a reference basis for granting manager bonuses. The performance evaluation items for managers consist of financial indicators and non-financial indicators, and the remuneration system will be reviewed in a timely manner according to actual operating conditions and relevant laws and regulations.
 - 3. As stipulated in the organizational rules of the Remuneration Committee, the composition of remuneration paid by the Company includes cash compensation, stock options, stock dividends, retirement benefits or severance payments, various allowances, and other substantive incentive measures, which are consistent with the items related to directors' and managers' remuneration that should be recorded in the annual report of a public company.
 - (ii) Procedures for determining remuneration:
 - 1. To regularly evaluate the remuneration of directors and managers, the Company bases its assessments on the "Board of Directors Performance Evaluation Measures" for directors, and the performance appraisal results applied to managers and employees for managers. The evaluations are then submitted to the board of directors for approval. To fully reflect the achievement of operational performance indicators, the performance measurement standards for directors are based on the company's annual operational indicators related to operations, governance, and

financial results. The performance appraisal for managers evaluates their main work responsibilities, including operational safety management, supervision of financial plan implementation, revenue management, promotion of independent maintenance capabilities, strengthening internal controls, implementation of quality assurance and management, and other performance objectives.

2. The self-evaluation results of the board of directors, directors, and functional committee members this year all significantly exceeded the standards. In this year's manager performance evaluation results, all managers' performances have achieved the target.
3. The performance evaluations and reasonableness of remuneration for the Company's directors and managers are regularly assessed and reviewed annually by the Remuneration Committee and the board of directors. In addition to considering individual performance and contributions to the Company, the overall operational performance of the company, future industry risks and development trends are also taken into account. The remuneration system is reviewed in a timely manner according to actual operating conditions and relevant laws and regulations. Furthermore, after comprehensively considering current corporate governance trends, reasonable remuneration is provided to strike a balance between the Company's sustainable operations and risk management. The actual amount of remuneration to directors and managers paid this year is reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

(iii) Correlation with operating performance and future risks:

1. The review of the payment standards and system related to the Company's remuneration policy is mainly based on the overall operation of the Company, and the performance achievement rate and contribution are reviewed to improve the overall organizational efficiency of the Board of Directors and management departments. In addition, reference is made to the remuneration standards in the industry to ensure that the remuneration of the Company's management is competitive in the industry, in order to retain outstanding management talents.
2. The Company's managerial officers' performance targets are combined with "risk control" to ensure that possible risks within the scope of duties are managed and prevented. The results of the appraisal and rating based on the actual performance are linked to all relevant human resources and related remuneration policies. The key decisions of the Company's management are made after a balanced consideration of various risk factors. The performance of the relevant decisions is reflected in the Company's profitability, and the management's compensation is related to the performance of risk control.

III. Status of corporate governance operations

(I) State of board operations

- (1) Information pertaining to board operations: The board convened 4 times (A) in the most recent year (2023). Director and supervisor attendance was as follows:

Job Title	Name (Note 1)	Number of attended meetings (B)	Attendance by proxy	Actual attendance rate (%) "B/A" (Note 2)	Remarks
Chairman	Chih-Chen Yu	4	0	100%	Re-elected on June 16, 2022
Director	Rong-Lih Yu	4	0	100%	
Director	Jung-Chieh Yu	4	0	100%	
Director	Representative of Mao Jia Investment Ltd.: Chiu-Yueh Chen	3	0	75%	
Director	Representative of Siang Hao Investment Co.,Ltd.: Kai-Ping Chang	4	0	100%	
Director	Ching-Chung Yu	3	1	75%	Newly elected on June 16, 2022
Director	Representative of Sara Rose International Inc.: Jing-Woei Jou	4	0	100%	
Director	Representative of GTO CNC Solutions Corp: Po-Yang Chen	2	0	50%	
Independent director	Hsueh-Tao Wu	4	0	100%	Re-elected on June 16, 2022
Independent director	Tai-Feng Huang	3	1	75%	
Independent director	Yu-Te Ma	4	0	100%	Newly elected on June 16, 2022

Note 1: Where directors and supervisors are juridical persons, the names of the juridical person shareholders and their representatives shall be disclosed.

Note 2: (1) Where a director or supervisor resigns before the end of the fiscal year, the date of his/her

resignation shall be indicated in the ‘Remarks’ Column. His/her actual attendance rate (%) shall be calculated on the basis of the number of meetings called and the actual number of meetings he/she attended while still in office. (2) If a board and supervisor election is scheduled before the end of the fiscal year, both the former and new directors and supervisors shall be listed, and it should be specified in the Remarks Column whether such directors and supervisors are former, newly elected, or re-elected board members, and the election date should be indicated. Actual attendance rates (%) shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, while still in office.

Other notes:

- i. If one of the following conditions applies to the operations of the Board of Directors, the date and term of the board meeting, the content of the motions, the opinions of the Independent Directors, and the responses by the Company to the opinions of the independent directors shall be specified:
 - (i) Matters specified in Article 14-3 of the Securities and Exchange Act: N/A
 - (ii) Other board resolutions for which dissenting or qualified opinions of independent directors are on record or written statements have been issued: N/A
- ii. In the event of recusal of directors from motions that involve a conflict of interest, the names of recused directors, the content of the motions, the reasons for recusal, and the participation in voting shall be specified: N/A

Name of Director	Proposal	Reasons for recusal	Participation in voting
Director Rong-Lih Yu Director Kai-Ping Chang	2023 Moon Festival Bonus Distribution Proposal for Managerial Officers , 2023 ear-end Bonus Distribution Proposal for Managerial Officers and 2024 Director, Supervisor, and Employee Remuneration Appropriation Proposal	Personal conflict of interest with regard to a motion	Recusal from participation in discussions and voting

- iii. Board evaluations: The Rules for Performance Evaluation of the Board of Directors prescribe annual performance evaluations for the Board of Directors, the board members, the Remuneration Committee, and the Audit Committee. The results of internal performance evaluations must be provided prior to the end of the first quarter of the following year. The results of the 2023 performance evaluations for the Board of Directors, the board members, the Remuneration Committee, and the Audit Committee were reported to the board in the meeting on March 13, 2024.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method
Annually	2023	Individual board members, the whole board, the Remuneration Committee, the Audit Committee	Self-evaluation by individual board members, the Remuneration Committee, and the Audit Committee and internal evaluation by the Board of Directors

Evaluation contents

- I. Board performance evaluations must include the following five dimensions: participation in company operations, quality of the board decision quality, composition and structure of the board of directors, election and continuing education of the directors, and internal control.
- II. Board member performance evaluations must include the following six dimensions: alignment of the goals and missions of the company, awareness of the duties of a director, participation in company operations, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
- III. Remuneration Committee evaluations must include the following five dimensions: participation in company operations, awareness of the duties of the Remuneration Committee, enhancement of the Remuneration Committee decision quality, Remuneration Committee composition and election of committee members, and internal control.

- iv. Enhancement of board of director functions in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and evaluation of implementation conditions:
 1. This Company has formulated Rules Governing Procedure for Board of Directors Meetings as a reference for board operations.
 2. Material financial and business information is made public as scheduled or required pursuant to applicable legal regulations.
- v. Succession planning for board members and key management members:
 1. Board members and succession planning: The Company has adopted a board diversity policy pursuant to the Corporate Governance Best Practice Principles. The board is currently composed of 11 directors (including 3 independent directors) who possess diversified and complementary professional competencies. Two of these directors concurrently hold top executive positions. The current framework including board composition and professional background of individual members will be maintained in the future. With respect to board succession planning, the Company trains and appoints top executives as board directors to familiarize them with board operations.
Independent director successors must possess valuable professional experience and competence in the fields of commerce, legal and financial affairs, and business management necessary for company business. The Company will therefore select industry professionals as independent director candidates.
 2. Management succession planning: The Company conducts regular employee performance evaluations to identify employees with management potential. The Company further embraces proactive talent development through regular training. The corporate organizational culture and management and leadership practices are passed on through sharing of leadership experiences accumulated by top executives over many years.
 3. Director/supervisor training items: N/A

(II) Participation of the Audit Committee in the operation of the Board of Directors: The Company established the Audit Committee for the first time on June 16, 2022, with three independent directors as its members.

The Audit Committee has the following supervisory functions:

- i. Appropriate presentation of the Company's financial statements.
- ii. Appointment, dismissal, independence, and performance of certified public accountants
- iii. Effective implementation of internal control
- iv. Compliance with applicable laws and regulations
- v. Management and control of existing or potential risks

The Audit Committee convened 4 times in the most recent year (A). Independent director attendance was as follows:

Position	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent director	Hsueh-Tao Wu	4	0	100%	Re-elected on June 16, 2022
Independent director	Tai-Feng Huang	3	1	75%	
Independent director	Yu-Te Ma	4	0	100%	Newly elected on June 16, 2022

Other notes:

- I. If one of the following conditions applies to the operations of the Audit Committee, the date and term of the Audit Committee meeting, the content of the motions, the dissenting or qualified opinions of the Independent Directors, the content of major proposals, the Audit Committee resolutions, and the responses by the Company to the opinions of the Audit Committee members shall be specified:
 - (1) Matters listed in Article 14-5 of the Securities and Exchange Act: In 2023 and up until the printing date of the annual report, the Audit Committee convened 5 meetings, with the resolution contents as stated in (Note 1). All resolutions of the Audit Committee were agreed upon and passed by all attending members of the Audit Committee before being reported to the Board of Directors.
 - (2) Other resolutions not approved by the Audit Committee but adopted by two-thirds or more of the Board members: N/A
- II. In the event of recusal of directors from motions that involve a conflict of interest, the names of recused independent directors, the content of the motions, the reasons for recusal, and the participation in voting shall be specified: N/A
- III. Communication between independent directors, internal auditing officer, and CPAs (e.g., items, methods, and results of communication concerning the Company's financial and business status): (Note 2)
- IV. Audit Committee-related information can be accessed on the corporate website via the following path: Investor Relations > Corporate Governance > Other Committees/Audit Committee Website: <https://www.yuanta.com/TW/IR/Governance/Committees>.

Note 1: Operation of the Audit Committee and important resolutions in 2023 and by the date of publication of the annual report

Meeting date	Important resolution matters
March 13, 2023	<ol style="list-style-type: none"> 1. Report on the actual implementation of the Company's internal audit plan. 2. The Company's 2022 self-assessment on the design of internal control system and declaration of the effectiveness of the implementation was completed, and the "Declaration of Effectiveness" was issued. 3. The Company's 2022 business report and financial reports. 4. 2022 surplus distribution: 5. Summary of the 2023 business plan.
May 11, 2023	<ol style="list-style-type: none"> 1. Report on the actual implementation of the Company's internal audit plan. 2. 2023 Q1 Financial Statement
August 10, 2023	<ol style="list-style-type: none"> 1. Rotation of CPAs. 2. Report on the actual implementation of the Company's internal audit plan. 3. 2023 Q2 Financial Statement
November 13, 2023	<ol style="list-style-type: none"> 1. Report on the actual implementation of the Company's internal audit plan. 2. 2023 Q3 Financial Statement 3. Reporting of the 2024 Audit Plan 4. Amendment to the "Internal Control System" and "Details of Internal Audit Implementation"
March 13, 2024	<ol style="list-style-type: none"> 1. The Company's 2023 business report and financial reports. 2. Report on the actual implementation of the Company's internal audit plan. 3. 2023 surplus distribution. 4. The Company's 2023 self-assessment on the design of internal control system and declaration of the effectiveness of the implementation was completed, and the "Declaration of Effectiveness" was issued. 5. Summary of the 2024 business plan. 6. The Company evaluated the independence and suitability of the CPAs, and recommended the appointment.

Resolutions: Approved as proposed based on the results of discussions of all committee members in attendance.

The Company's handling of the Audit Committee's opinions: submitted to the Company's Board of Directors, and approved by all attending directors.

Note 2: Communication between independent directors, internal auditing officer, and CPAs:

● Communication between the Audit Committee (independent directors) and internal auditing officer:

i. Communication method:

- (1) The internal auditing officer submits the audit and tracking report to the Audit Committee members for review within the month following completion and reports the status of audit operations in Audit Committee and Board of Directors' Meetings.
- (2) The chief auditor communicates and discusses the Company's internal audit execution status and internal control operations with each independent director through telephone calls and meetings. Furthermore, at least twice a year, without the presence of general directors and management levels, the chief auditor holds communication meetings with the Audit Committee to discuss matters related to the implementation of the internal audit and internal control systems.

ii. Excerpt of communication items in 2023:

Date	Communication items	Communication/implementation results
March 13, 2023	In 2022, the Company self-assessed the internal control system and issued the "Declaration of Internal Control System".	Approved unanimously by the Audit Committee and reported to the Board of Directors.
May 11, 2023	March - April 2023 internal audit plan implementation report.	Approved unanimously by the Audit Committee and reported to the Board of Directors.
August 10, 2023	2023 internal audit plan implementation report.	Approved unanimously by the Audit Committee and reported to the Board of Directors.
November 13, 2023	1. 2023 internal audit plan implementation report. 2. Reporting of the 2024 Audit Plan. 3. Amendment to the "Internal Control System" and "Details of Internal Audit Implementation".	Approved unanimously by the Audit Committee and reported to the Board of Directors.
March 13, 2024	1. In 2023, the Company self-assessed the internal control system and issued the "Declaration of Internal Control System". 2. Amendments to the "Rules of Procedure for Board of Directors Meetings" and "Audit Committee Charter".	Approved unanimously by the Audit Committee and reported to the Board of Directors.

● Communication between the Audit Committee (independent directors) and CPAs:

- i. Communication method: The Audit Committee is composed of all independent directors. The CPAs hold at least two communication meetings with the Audit Committee each year. The Company's financial status and the review of financial statements are reported to the independent directors during the meetings to conduct sufficient communication.

ii. Excerpt of communication items in 2023:

Date	Communication items	Communication/implementation results
March 13,2023	<p>I. Proposal for review of 2022 Business Report and Financial Statements. Detailed description of the audit scope, process, results, and key audit items for the 2022 Financial Statement by the CPAs The CPAs answered the questions raised by independent directors.</p> <p>II. 2022 surplus distribution. The CPAs answered the questions raised by independent directors.</p>	Approved unanimously by the Audit Committee and reported to the Board of Directors.
May 11, 2023	<p>I. 2023 Q1 Financial Statement The CPAs explained and communicated with the independent directors about the financial statements of Q1 2023.</p>	Approved unanimously by the Audit Committee and reported to the Board of Directors.
August 10,2023	<p>I. 2023 Q2 Financial Statement The CPAs explained and communicated with the independent directors about the contents of financial statements of Q2 2023.</p>	Approved unanimously by the Audit Committee and reported to the Board of Directors.
November 13,2023	<p>I. 2023 Q3 Financial Statement The CPAs explained and communicated with the independent directors about the contents of financial statements of Q3 2023.</p>	Approved unanimously by the Audit Committee and reported to the Board of Directors.
March 13, 2024	<p>I. Proposal for review of 2023 Business Report and Financial Statements. Detailed description of the audit scope, process, results, and key audit items for the 2023 Financial Statement by the CPAs. The CPAs answered the questions raised by independent directors.</p> <p>II. 2023 surplus distribution. The CPAs answered the questions raised by independent directors.</p>	Approved unanimously by the Audit Committee and reported to the Board of Directors.

(III) Status of Corporate Governance, and any non-conformity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof:

Items under <u>evaluation</u>	Status (Note)			Any nonconformity with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
I. Has the Company formulated and disclosed Corporate Governance Best Practice Principles pursuant to Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?		V	No	Not applicable.
II. Equity structure and shareholders' equity (I) Has the Company defined internal operating procedures to deal with shareholder recommendations, inquiries, disputes, and litigation, and have such procedures been properly implemented?		V	The Company has appointed a stock agency to handle stock-related matters, and has designated spokespersons, deputy spokespersons and other designated personnel as the window to handle shareholders' suggestions, doubts and disputes. There is also an investor section and contact window on the Company's website, where dedicated personnel are responsible for responding to shareholders' opinions.	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
(II) Does the Company retain a register of major shareholders who have controlling power and of parties with ultimate control over those major shareholders?	V		The directors and major shareholders of the Company report changes in shareholdings on a monthly basis. The Company retains at all times a register of major shareholders who have controlling power.	
(III) Has the Company established and implemented risk control and firewall mechanisms between the Company and its affiliates?	V		The Company has regulations in place to manage the related party transaction management, endorsement and guarantee, and loaning of funds between the Company and its affiliates. These regulations are implemented in accordance with the internal control system and related supervision operations.	
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		The Company has formulated Procedures for the Prevention of Insider Trading to regulate such transactions. The Company prohibits insiders from using undisclosed information to trade securities in the market, and the Company does not regularly promote related regulations to insiders.	
III. The organization of Board of Directors and its duties: (I) Has the Board of Directors formulated a diversity policy and concrete management objectives and are they effectively implemented?	V		1. The Company has appointed 11 directors (including 3 independent directors) in line with its business scope and development needs. Their professional backgrounds indicate that they are industry, legal, and management experts. This clearly shows that the board diversity policy of the Company	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.

			<p>has been effectively implemented. Core policy goals include:</p> <p>1. The composition of the board of directors shall be determined by taking diversity into consideration and an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>(1) Basic requirements and values: Gender, age, nationality, and culture</p> <p>(2) Professional knowledge and skills:</p> <p>A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>In addition to the professionalism and diversity of directors, the Company has set specific management goals for the diversity of the Board of Directors and implemented them.</p> <p>2. For the diversity policy of the Board of Directors and its implementation, please refer to Page 10 to Page 11 of this annual report.</p>	
			Handled pursuant to legal regulations No non-conformities	
(II) Has the Company voluntarily and duly set up functional committees other than a Remuneration Committee and Audit Committee?	V		<p>The Company has duly set up a Remuneration Committee and Audit Committee. In the future, other functional committees will be formed as required in accordance with legal regulations and actual development needs.</p>	
(III) Has the Company formulated Rules for Performance Evaluation of Board of Directors and evaluation methods? Are performance evaluations conducted regularly on an annual basis? Are the results reported to the Board of Directors and are they used as a reference in determining compensation for individual directors, their nomination, and additional office terms?	V		<p>The Company has established the "Board of Directors' Performance Evaluation Regulations". It is stipulated that the Board of Directors shall conduct an internal performance evaluation of the Board of Directors at least once a year. The evaluation scope includes the performance evaluation of the Board of Directors as a whole, of individual Board members, and of functional committees. The results of performance evaluations for the Board of Directors, the board members, the Audit Committee, and the Remuneration Committee, for this year were reported to the board in the meeting on March 13, 2024. The same shall be applied to the remuneration and nomination for re-election of individual directors. Please refer to pages 19 of this annual report for details.</p>	
(IV) Does the Company have the independence of the certified public accountant(s) evaluated regularly?	V		<p>The Company has never engaged the same CPAs for more than seven years. In addition to internal self-evaluations, the independence requirements laid out in the Standards For the Professional Practice of CPAs and the self-regulations of</p>	

			accounting firms are taken into consideration. (Note 1)	
IV. Has the TWSE/TPEX listed company assigned an adequate number of corporate governance personnel with appropriate qualifications and has a chief corporate governance officer been designated as the most senior officer in charge of corporate governance affairs (including, but not limited to, furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters related to board meetings and shareholders meetings according to the law, and producing minutes of board meetings and shareholders meetings).	V		<p>On May 11, 2023, the Company's board of directors appointed Vice President and Chief Accounting Officer Chen Tai-Chen as the Corporate Governance Officer, responsible for corporate governance-related affairs. This includes handling matters related to the board of directors, audit committee, remuneration committee, and shareholders' meetings in accordance with the law; assisting directors with onboarding and continuing education; providing directors with necessary information for performing their duties; and assisting directors in complying with laws and regulations.</p> <p>The Corporate Governance Officer assists the Chairman and committees in handling matters related to the Board of Directors, Audit Committee, Remuneration Committee, and annual shareholders' meetings. The Officer provides directors with information on continuing education, provides directors with necessary information for performing their duties, handles directors' requests promptly, and provides support to directors in exercising their duties.</p> <p>Please refer to Note 2 for the information on the continuing education of the Corporate Governance Officer of the current year.</p>	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
V. Has the Company established channels for communications with the stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and set up a section for stakeholders on the official website of the Company with adequate responses to key CSR issues of concern to stakeholders?	V		<p>The Company has set up a Stakeholders Section on the Company's website. The website also has spokespersons and contact information of various sales windows to appropriately respond to important corporate social responsibility issues that stakeholders are concerned about. Stakeholders can also communicate with the Company through this channel to understand the Company's operations to maintain their interests.</p> <p>The Company has engaged CTBC Bank Transfer Agency to handle relevant matters.</p>	Smooth communication channels are in place and non-conformities are not present.
VI. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?	V			Handled pursuant to legal regulations No non-conformities
VII. Information Disclosure (I) Has the Company set up a website for the disclosure of financial, business, and corporate governance information?	V		<p>Financial, business, and corporate governance information is duly disclosed on the designated corporate website at http://www.tloong.com.tw/. Business information is updated on an ongoing basis. Financial and business information is also regularly updated in the investor section of the website.</p>	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
(II) Has the Company adopted other methods of information disclosure (e.g. creation of an	V		1. The Company has a spokesperson system in place and publicly discloses relevant financial and business	

English-language website, designation of dedicated personnel for the gathering and disclosure of relevant information, proper implementation of a spokesperson system, and posting of investor conference proceedings on the Company website)?			information. Other information disclosures can be accessed via the Market Observation Post System of Taiwan Stock Exchange at https://mops.twse.com.tw/mops/web/index . 2. The process of institutional investor conference and relevant information are also disclosed on the Company's website.	
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and does it publish and report its financial reports for the first, second and third quarters as well as its operating status for each month within the prescribed time limit?		V	1. According to the current regulations, the annual financial statements are announced and reported within 75 days after the end of the fiscal year. 2. 2023 Q1, Q2 and Q3 financial statements and the monthly operating status of each month were announced within the prescribed time limit.	
VIII. Does the Company provide other important information conducive to a better understanding of the status of corporate governance (including, but not limited to, the state of employees' rights and interests, concern for employees, investor relations, supplier relations, stakeholder rights, continuing education for directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policies, and liability insurance purchased by the Company for directors and supervisors)?	V		<p>The Company organizes investor conferences as required to provide adequate descriptions of the status of corporate governance in a timely manner.</p> <p>1. Employee Rights and Employee Care: The company treats all employees equally and fairly regardless of gender, nationality, ethnicity, or beliefs when hiring. Every employee is legally enrolled in labor insurance, national health insurance, and employee group insurance. Retirement funds are also contributed in accordance with the law, and an Employee Welfare Committee is established to provide various welfare subsidies. In addition, we comply with safety and health-related laws and regulations to provide a good working environment to protect and protect the rights and interests of employees.</p> <p>2. Investor relations: Through the Market Observation Post System and the Company's website, investors are provided with a clear understanding of the Company's operations. The Company has also appointed a spokesperson to take charge of the Company's external communication, and the stock affairs agency to assist shareholders and investors to ask the Company's related questions.</p> <p>3. Supplier relations: The Company maintains positive relations and partnerships with its suppliers, and has established effective communication channels to facilitate long-term cooperation.</p> <p>4. Stakeholders' rights: The Company maintains a good dialogue with stakeholders by providing communication channels. Stakeholders can also leave messages on the</p>	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.

		<p>Company's website and contact the Company directly.</p> <p>5. Continuing education of directors: Please refer to Note 3 for the information of 2023 continuing education of directors of the Company.</p> <p>6. Implementation of Risk Management Policies and Risk Measurement Standards: The Company's major operating policies, fund lending, endorsements/guarantees, bank loans, and other major proposals are all evaluated by the responsible units and implemented in accordance with the resolutions of the Board of Directors. The Audit Office draws up the annual audit plan and implements it to achieve supervision.</p> <p>7. Implementation of customer policy: The Company continues to improve R&D in response to today's important environmental issues, in order to reduce the burden on the environment. Committed to quality improvement and professional technology upgrades, rapid development and production, real-time full communication with customers, and review and improvement in the production and marketing meetings based on customers' questions from time to time.</p> <p>8. The purchase of liability insurance for directors: the company purchased liability insurance for all directors to protect directors against risks arising from the performance of their duties. The Company shall report to the Board of Directors for approval and disclose it on the Market Observation Post System.</p>	
<p>IX. Please describe successfully completed corrective actions and measures adopted for identified priority items and pending improvements in response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year: with a view to establishing a sound corporate governance and independent director system, the Company fully complies with the provisions set forth in the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies to fulfill the functions of independent directors in the field of board and company operations and optimize governance practices and performance.</p>			

Note 1:

Toung Loong Textile MFG. Co., Ltd.
Evaluation Form for the Independence and Competency of CPAs
March 1, 2024

(1) According to No. 10 "Integrity, Objectivity and Independence" of Code of Ethics for Professionals, the assessment is as follows:

Independence		Independence status	
Item No.	Explanation	Yes	No
1	The CPAs appointed by the Company shall recuse themselves and shall not accept any matters that may cause direct or material indirect interests to them that may affect their impartiality and independence.	V	
2	An audit or review of financial statements is intended to provide a wide range of potential users with a high to moderate degree of assurance, but not absolute assurance. In addition to material independence, it is more important for the CPAs to maintain independence in form. Therefore, do the members of the audit service team, other co-practicing accountants, the firm and its affiliates maintain independence from the Company?	V	
3	Do the CPAs appointed by the Company have the following information: (1) Integrity: CPAs shall perform professional services with integrity and rigor. (2) Objectivity: Accountants should maintain a fair and objective attitude when performing professional services, and at the same time avoid conflicts of interest that affect their independence. (3) Independence: When performing the audit or review of the financial statements, the CPAs should maintain an detached position in form and substance and impartially state their opinions.	V	
4	The independence of the CPAs is closely related to integrity, fairness and objectivity. Is there any lack or loss of independence at the time of appointment, which in turn affects the position of integrity, fairness and objectivity.	V	
5	Whether the independence of the accountant is affected by self-interest, self-assessment, defense, familiarity and coercion?	V	
6	Independence is affected by self-interest, which means that the financial interest is obtained through the Company, or a conflict of interest occurs with the Company due to other conflicts of interest. Does it produce any of the following effects: (1) Has a direct or material indirect financial interest in the Company. (2) There is financing or guarantee with the Company or its directors and supervisors. (3) Consider the possibility of loss of the Company. (4) Having a close business relationship with the Company. (5) There is a potential employment relationship with the Company. (6) Contingent fees related to the audit of the Company.	V	

Independence		Independence status	
Item No.	Explanation	Yes	No
7	<p>Independence may be affected by self-assessment. The reports issued or judgments made by the accountant when providing non-audit services serve as important bases for the audit conclusions during the process of auditing or reviewing financial information. Or, if an audit team member has previously served as a director or supervisor of the Company, or has held a position that directly and significantly influenced the audit engagement. Does it produce any of the following effects:</p> <p>(1) Members of the audit service team are currently directors, supervisors, managers, or positions that have a significant impact on the audits of the Company or in the most recent two years.</p> <p>(2) Non-audit services provided to the Company will directly affect important items of audit cases.</p>	V	
8	<p>Independence is affected by the defense, which means that the members of the audit service team become the defenders of the Company's position or opinion, causing their objectivity to be questioned. Does it produce any of the following effects:</p> <p>(1) Promote or broker the shares or other securities issued by the Company.</p> <p>(2) Serving as the defender of the Company, or representing the Company in coordinating conflicts with other third parties.</p>	V	
9	<p>The impact of familiarity on independence means that the close relationship with the directors, supervisors and managers of the company may cause the CPAs or members of the audit service team to pay too much attention to or sympathize with the interests of the company. Does it produce any of the following effects:</p> <p>(1) Has a family relationship with the Company's directors, supervisors, managers, or personnel who have a significant impact on the audit.</p> <p>(2) A co-practicing accountant within one year after resignation serving as a director, supervisor, or manager in the Company, or in a position that has a significant influence on the audit case.</p> <p>(3) Receiving gifts or gifts of great value from the Company, its directors, supervisors, or managers.</p>	V	
10	<p>The impact of coercion on independence means that members of the audit service team have suffered or felt intimidation from the Company, preventing them from maintaining objectivity and clarifying professional doubts. Does it produce any of the following effects:</p> <p>(1) Require the CPAs to accept the management's improper selection of accounting policies or improper disclosure in the financial statements.</p> <p>(2) Put pressure on the accountants to unduly reduce the audit work that should be performed in order to reduce the audit fees.</p>	V	
11	Members of the firm and the audit team have the responsibility	V	

Independence		Independence status	
Item No.	Explanation	Yes	No
	to maintain independence Consider whether the content of the work performed has any impact on independence and may eliminate the The aforementioned impacts or measures to reduce them to an acceptable level.		
12	When the impact on independence is confirmed to be material, whether the members of the administrative team have taken appropriate measures to eliminate the impact or to an acceptable level, and the conclusion shall be recorded.	V	
13	If the Company, firm, or service members fail to take any measures or adopt If the measures adopted cannot effectively eliminate the impact on independence or reduce it to an acceptable level, should the CPA be replaced in order to maintain its independence?	V	

(2) Assessment of suitability

Adaptability		Evaluation	
Item No.	Explanation	Yes	No
1	Whether they are qualified as accountants to perform accountant services.	V	
2	No disciplinary actions taken by the competent authority and the Institute of Certified Public Accountants, or disciplinary actions taken in accordance with Article 37, Paragraph 3 of the Securities and Exchange Act.	V	
3	Possesses knowledge of the relevant industry of the Company.	V	
4	Whether the audit of the financial statements is carried out in accordance with the generally accepted auditing standards and the Rules Governing Auditing and Attestation of Financial Statements by CPAs, and whether the financial reports are issued according to the audit schedule.	V	
5	Is there any unfair competition in the industry and commerce by not taking advantage of the status of an accountant?	V	
6	Whether the latest announcement of changes in accounting, auditing and other relevant laws and regulations is proactively provided to the management, and the material differences are fully discussed and communicated.	V	

Note 2:

Continuing education of Corporate Governance Officer in 2023:

Date of continuing education	Organizer	Course name	Number of hours
November 18, 2023	ROC Accounting Research and Development Foundation	Professional Development Course on Updates of International Standards for Sustainable Disclosure	3

Note 3

2023 directors' continuing education:

Position	Name	Date of continuing education	Organizer	Course name	Number of hours
Director	Kai-Ping Chang	April 27, 2023	Taipei Exchange	Sustainable Development Action Plan Promotion Conference for TWSE/TPEX-listed Companies	3
Director	Rong-Lih Yu	May 26, 2023	Environmental Protection Administration, Executive Yuan	"Co-creation of Sustainability with Green Chemistry" - Corporate Integrity and Corporate Governance of Sustainability	3
Director	Chih-Cheng Yu	July 13, 2023	Taipei Exchange	Sustainable Development Action Plan Promotion Conference for TWSE/TPEX-listed Companies	3
Director	Chiu-Yueh Chen	August 9, 2023	Taipei Exchange	OTC Company Insider Orientation Seminar for Emerging Stock Companies	3
Director	Jing-Woei	August 9,	Taipei Exchange	OTC Company Insider	3

	Jou	2023		Orientation Seminar for Emerging Stock Companies	
Independent director	Yu-Te Ma	May 26, 2023	Environmental Protection Administration, Yuan	"Co-creation of Sustainability with Green Chemistry" - Corporate Integrity and Corporate Governance of Sustainability	3
Independent director	Hsueh-Tao Wu	May 26, 2023	Environmental Protection Administration, Yuan	"Co-creation of Sustainability with Green Chemistry" - Corporate Integrity and Corporate Governance of Sustainability	3

(IV) Information about Remuneration Committee members and state of committee operations

(1) Information about Remuneration Committee members

Status	Qualification Name	Professional qualifications and experience	Independence status (Note 1)	Number of public companies where the person holds the title as independent director
Independent directors (convener)	Hsueh-Tao Wu	Please refer to page 8-11 for information on directors' professional qualifications and independent director independence.	Independence status	0
Independent directors	Tai-Feng Huang	Please refer to page 8-11 for information on directors' professional qualifications and independent director independence.	Independence status	0
Independent directors	Yu-Te Ma	Please refer to page 8-11 for information on directors' professional qualifications and independent director independence.	Independence status	0

Note 1. Meets relevant independence criteria: the Company's independent director himself/herself, his/her spouse, or relatives within the second degree of kinship not serving as directors, supervisors, or employees of this Company or one of its affiliates;

They have not served as a director, supervisor, or employee of a company that has a specific relationship with the Company. The independent directors themselves, their spouses, and relatives within the second degree of kinship have not provided commercial, legal, financial, accounting, or other services to the company or its affiliated enterprises and received remuneration in the past two years.

(2) Information about the state of Remuneration Committee operations:

1. The Company's Remuneration Committee consists of three (3) members.
2. Term of office of committee members: June 16 2022 to June 16, 2025.

In 2023 and up to the publication date of the annual report, the Remuneration Committee held 4 meetings "A". The qualifications and attendance of members are as follows:

Position	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1)	Remarks
Convener	Hsueh-Tao Wu	4	0	100%	Re-appointed after election on June 16, 2022
Member	Tai-Feng Huang	3	1	75%	Re-appointed after election on June 16, 2022
Member	Yu-Te Ma	4	0	100%	Newly appointed after election on June 16, 2022

Other notes:

- I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration approved by the Board of Directors is higher than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): N/A.
- II. For resolution(s) adopted by the Remuneration Committee with the Committee members voicing dissenting or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of said opinions: N/A
3. Responsibilities of the Remuneration Committee: Assistance to the Board of Directors in the deliberation, formulation, and regular assessment of performance assessment and remuneration policies for the Company's directors and managerial officers in overall consideration of key factors such as company business performance, personal performance, industry standards, and future risks

● Remuneration Committee Meeting Information:

Date	Proposal	Resolution Result	The Company's handling of the Committee's opinions
March 13, 2023	1. Proposal for 2022 distribution of remuneration to employees, directors, and supervisors. 2. Amendments to the "Regulations Governing the Remuneration of Directors, Supervisors, and Managers."	Passed by all members.	Submitted to the board of directors for approval.
August 10, 2023	1. 2023 Moon Festival Bonus Distribution Proposal for Managerial Officers.	Passed by all members.	Submitted to the board of directors for approval.
November 13, 2023	1. Amount of year-end bonuses to managers for 2023 2. Proposal for the remuneration of directors and employees in 2024.	Passed by all members.	Submitted to the board of directors for approval.
March 13, 2024	1. Proposal for 2023 distribution of remuneration to employees and directors.	Passed by all members.	Submitted to the board of directors for approval.

- (3) Information pertaining to the nomination committee members and the state of committee operations: N/A due to the fact that the Company has not set up a nomination committee

(V) Implementation status of sustainable development promotion, any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof:

Promotion item:	Status (Note 1)		Any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof:
	Yes	No	
I. Has the Company established a governance framework for the promotion of sustainable development? Has an exclusively (or concurrently) dedicated unit in charge of promotion of sustainable development been set up? Has the board authorized the top management level to handle relevant matters? What is the state of board supervision? (Listed companies should specify the implementation status without providing information on compliance or explanations)	V		The Company has been implementing social responsibility concepts and prioritizing environmental and corporate governance issues related to its operations since its inception. In 2023, a Sustainability Task Force was formed to implement corporate governance, foster environmental sustainability, maintain social welfare, enhance disclosure of CSR-related information, formulate sustainable development policies, systems, management approaches, and concrete promotion plans, convene regular meetings, organize discussions on material issues on a non-scheduled basis as required, conduct performance reviews, and plan future work priorities. The Board of Directors urges the management team to make adjustments as required and functional committees reinforce adjustment efforts in line with the opinions of the board. The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
II. Does the Company conduct risk assessments for environmental, social, and corporate governance issues associated with the Company's operations based on materiality principles and have risk management policies or strategies been formulated? (Note 2) (Listed companies should specify the implementation status without providing information on compliance or explanations.)		V	(I) The President's Office, the Management Department, and plant environmental safety units jointly promote corporate social responsibility in the Company. In view of the principle of operational materiality, the relevant risk management policies or strategies are as follows: 1. Environment: We are committed to establishing production processes that comply with regulations and conserve resources. Through the implementation of industrial hygiene management and systematized management cycles, we effectively reduce pollutant emissions to achieve environmental friendliness. 2. Society: Improving occupational safety and health management is listed as a key priority. Relevant management policies include continuously improving the work environment. On-site supervisors regularly inspect the behavior and working environment of employees and

Promotion item:	Status (Note 1)		Any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:
	Yes	No	
			<p>contractor personnel. Fire safety and occupational safety education and training are conducted annually to enhance employees' safety awareness and emergency response capabilities.</p> <p>3. Corporate governance:</p> <p>(a) Implement internal control to ensure that all the Company's personnel and operations comply with relevant laws and regulations. (b) Arrange continuing education courses for directors and update directors on the latest laws and policies. The directors' liability insurance is purchased annually to protect directors against litigation or claims. (c) Establish various communication channels with investors. A spokesperson is responsible for the unified response and active communication to reduce misunderstandings.</p>
III. Environmental Issues (I) Does the Company have an appropriate environmental management system in place in accordance with its industry characteristics?	V		<p>The Company is deeply committed to improvements at the source and enhancement of resource usage efficiency to achieve the goals of raw material and waste reduction. In addition, waste water reclamation and waste gas treatment equipment has been installed to facilitate recycling, reuse, and mitigation of environmental impacts.</p>
(II) Is the Company committed to enhancing its resource utilization efficiency and using recycled materials with low environmental impacts?	V		<p>In the field of promotion of ESH concepts, the Company abides by national ESH-related laws and standards, acquires and maintains ISO certifications such as ISO-14001 Environmental Management System and ISO-50001 Energy Management System, and duly submits reports as required.</p> <p>1. Cooperate with the government's energy-saving policy, replace unsuitable equipment and review the production process, and actively develop low-carbon products to meet future needs.</p> <p>2. Introduce solar energy projects to expand the utilization of renewable energy.</p>
(III) Does the Company assess current and future potential risks and opportunities for the Company associated with climate change and have	V		<p>The Company handles relevant matters in conformity with legal regulations and non-conformities</p>

Promotion item:	Status (Note 1)		Any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:
	Yes	No	
contingency measures been adopted to deal with climate-related issues?			carbon reduction strategies and adopt various energy conservation measures in line with the impact of operating activities. This includes turning off unnecessary lights, AC temperature controls in summer, and effective utilization of energy to minimize the impact of the Company's operations on the natural environment. The Company evaluates the current and future potential risks and opportunities of climate change, and adopts corresponding measures: 1. Carbon tax/renewable energy regulations/greenhouse gas laws and regulations: The Company may incur penalties and increase costs, and will participate in the government's energy-saving programs and gradually replace high-energy-consuming equipment with low-energy-consuming equipment. 2. Lack of water and power: They will affect production in the long run. We carefully monitor the implementation of various energy-saving measures and establish an emergency response system.
(IV) Has the Company recorded total GHG emissions, water consumption, and total waste generated over the past two years and has it adopted energy conservation and carbon reduction, GHG reduction, water conservation, or other waste management policies?	V		The Company has passed the certification audits for ISO-14001 Environmental Management System and ISO-50001 Energy Management System in line with government regulations and brand requirements and has taken the initiative in energy and waste reduction and setting of relevant targets. The ultimate goal is to achieve energy conservation, carbon reduction, and GHG reduction through a decrease of unnecessary energy waste.
IV. Social Issues (I) Has the Company stipulated relevant management policies and procedures in accordance with applicable laws and regulations and international conventions on human rights?	V		The Company has set up a special section on its website dedicated to human rights policies. It fully complies with local laws and regulations at its operating sites all over the world. Every active employee is treated with utmost respect in accordance with internationally recognized human rights standards set out in the International Bill of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, social responsibility standards and systems, and local
			The implementation of applicable norms and regulations is reinforced in line with the requirements of future system adoption.
			The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.

Promotion item:	Status (Note 1)		Any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons thereof:
	Yes	No	
			laws and regulations. Most importantly, the Company has established a management mechanism in the policy and management dimensions to safeguard the human rights of its employees. Human rights policies applicable to units at all levels of the Company are implemented in accordance with adopted approaches. In addition, management plans and implementation approaches associated with human rights issues are enhanced and implemented on an ongoing basis (see Note 3).
(II) Has the Company adopted and implemented reasonable employee benefit measures (including compensation, leaves, and other benefits) and are business performance or results adequately reflected in employee compensations?	V		The Company has adopted various employee benefit measures (including compensations and leaves) and formed an Employee Welfare Committee pursuant to applicable provisions set forth in the Labor Standards Act. It distributes bonuses and shares profits with its employees as an incentive measure based on business performance on the three major festivals (Chinese New Year, Dragonboat Festival, Moon Festival).
(III) Does the Company provide its employees with a safe and healthy work environment and does it offer safety and health education to its employees on a regular basis?	V		The Company is firmly committed to providing its employees with a safe and healthy work environment. Health checks and work safety training are scheduled on a regular basis.
(IV) Has the Company established an effective career competency development and training program for its employees?	V		The Company arranges off-the-job training programs organized by various organizations and institutions for its employees in line with their professional expertise on a non-scheduled basis to enhance their career competencies. Orientation training for new hires aims to reinforce hazard awareness and hazard prevention concepts.
(V) Does the Company comply with applicable laws and international standards governing customer safety and health concerns associated with products and services and customer privacy, marketing, and labeling <u>issues</u> ? Has it adopted relevant policies and grievance procedures to protect consumer or <u>customer</u> rights and interests?	V		The Company's products do not sell directly to consumers. The main sales targets are brand companies. The products provided must comply with relevant laws and regulations from R&D procurement to production in order to protect consumer rights. In case of customer complaints, the Company asks questions through the brand owners to understand the status of consumer complaints. We maintain
			The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.

Promotion item:	Status (Note 1)		Any non-conformity with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:
	Yes	No	
			good communication with them and provide transparent, effective and comprehensive handling of products and services.
(VI) Has the Company formulated a supplier management policy, does it require its suppliers to abide by applicable norms and regulations in the fields of environmental safety, occupational health and safety, and labor rights, and is this policy properly implemented?	V		The Company requires that all products comply to ISO14001, Oeko-Tex, Standard 100, ISO9001, ISO50001, OHSAS18001, CNS15506, GRS, and BLUESIGN certification standards. All raw materials provided by suppliers must be free from hazardous substances. In addition, the Company's inspection personnel implement rigorous controls to ensure product safety. Step-by-step communication with suppliers is combined with stipulation of relevant provisions in contracts. (Note 4)
V. Does the Company prepare <u>Sustainability Reports</u> and other comparable reports to disclose non-financial information with reference to universal international report preparation principles or guidelines? Have the aforementioned reports been assured or verified by third-party certification bodies?		V	The disclosure of sustainable development-related information is reinforced in line with the requirements of future system adoption.
VI. If the Company has adopted <u>sustainable development</u> principles in accordance with <u>Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</u> , please describe relevant operations and discrepancies: The deliberation and formulation of sustainable development best practice principles and relevant rules and regulations is currently still in progress.			
VII. Other important information conducive to a better understanding of the Company's efforts in the promotion of sustainable development: N/A			

Note 1: If “Yes” is selected in the table above, a concrete description of adopted policies, strategies, and measures as well as their implementation status should be provided; if “No” is selected, please explain discrepancies and reasons in the “Non-conformity with Sustainable Development Best

Practice Principles for TWSE/TPEX Listed Companies and Reasons thereof” column and describe planned policies, strategies, and measures. With regard to the implementation of items I and II, TWSE/TPEX Listed Companies should describe the sustainable development-based governance and supervision framework including, but not limited to, management approach, strategy, and goal formulation and review measures. In addition, the Company should describe risk management policies and strategies for environmental, social, and corporate governance issues related to its operations and their assessment status.

Note 2: The term “Materiality Principles” refers to material impacts of environmental, social, and corporate governance issues on the Company's investors and other stakeholders.

Note 3:

Implementation approaches	Concrete achievements
1. Provision of a safe and healthy work environment	<ol style="list-style-type: none"> 1. Adoption of TLT ESH and Energy Policy and ongoing improvement of work environments in accordance with the occupational health and safety management system 2. Adoption of the ISO 45001 Occupational Health and Safety Management System, review of occupational health and safety management, and prevention of work-related injuries and diseases 3. Investment in equipment replacement and improvement of work environments 4. Ensured maintenance of high-quality, comfortable work environments and regular environmental monitoring 5. Construction of a basketball court and fitness center and provision of diversified fitness equipment for employees
2. Elimination of unlawful discrimination and guarantee of equal employment opportunities	<ol style="list-style-type: none"> 1. Education on non-discrimination in employment 2. Maintenance of gender equality in employment, formulation of sexual harassment prevention guidelines, and setting up of grievance channels 3. Guarantee of employment opportunities for locals prior to hiring of foreign migrant workers 4. Strict compliance with non-discrimination principles laid out in the Employment Service Act during the application process 5. Implementation of zero placement fee policy for migrant workers
3. Prohibition of child labor	<ol style="list-style-type: none"> 1. Formulation and implementation of relevant internal regulations in line with the minimum work age prescribed in Taiwanese labor laws 2. Verification of the actual age of the applicant by checking identification documents issued by government agencies during the hiring process 3. In case of doubts during the interview process, age-related questions are asked to confirm conformity to minimum work age requirements
4. Legal working hour management	<ol style="list-style-type: none"> 1. Adoption of swipe cards and a facial recognition system to record daily attendance and working hours. 2. Bell ringing to remind employees of the end of their workday
5. Concern for the mental and physical well-being and work-life balance of employees	<ol style="list-style-type: none"> 1. Hiring of nursing personnel and signing of contracts with physicians of designated hospitals for labor health checks and protection measures as required by law 2. Execution of annual health plans, review of employee health

	<p>check results, and tracking of anomalies</p> <p>3. Organize a variety of health promotion activities and trainings to enrich employees' lives and help employees achieve optimal physical and mental health.</p>
6. Implementation of employee training and competency development	<p>1. Organization of various competency-related training programs</p> <p>2. Provision of external training channels and subsidies and encouragement of employee participation</p>
7. Regular inspection and assessment of relevant systems and accomplishments	<p>The Company conducts ongoing assessments of the effects of management measures adopted by the Company in response to identified risks associated with human rights issues and carries out corresponding adjustment of these measures in line with assessment results to facilitate risk control and mitigation and safeguard human rights in all issue dimensions.</p> <p>Human rights policies are implemented in all plant areas in line with the norms, standards, and requirements set out in the Code of Ethical Conduct of the branded manufacturer. Conformity to the human rights policy formulated by the Company is confirmed to safeguard the mental and physical well-being and rights and interests of its employees.</p>

Note 4: Most recent validity period of acquired certificates

Certificate	Most recent validity period
ISO-14001	2027/01/01
ISO-27001	2027/02/28
ISO-50001	2026/11/14
ISO-45001	2027/01/22
ISO-9001	2026/05/27
GRS 4.0	2024/05/12
BLUESIGH	2024/04/22

(VI) Climate-Related Information of the Company

1. Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	The company's board of directors approved the establishment of the " ESG Committee " on March 13, 2023. This committee is composed of company department heads. It meets regularly every year and holds discussions on major issues from time to time as necessary. Formulate sustainable development policies, systems or related management guidelines and specific promotion plans to respond to climate change and international development trends and implement sustainable development.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	In the short term, climate risks and opportunities do not have a particularly significant impact on the company. However, in the long term, the impact of climate issues is bound to increase year by year. The medium and long-term goals still require reducing energy consumption and continuing to save energy, so as to coexist and prosper with the environment.
3. Describe the financial impact of extreme weather events and transformative actions.	Events caused by extreme weather may damage the company's equipment, and may even lead to shutdowns; issues such as total greenhouse gas control and the imposition of carbon fees (taxes) will increase operating costs, thereby affecting the company's profits.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Based on the company's industrial needs and assessment of the possible impact of climate risks, we will formulate plans and executable projects, implement them, and regularly review, track, manage, and make adjustments and improvements, so that the company can better respond to various risks, reduce losses, and improve stability. sex and persistence.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	Evaluation in planning.
6. If there is a transition plan for managing climate-related risks, describe the	Evaluation in planning.

content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	Internal carbon pricing is not used as a planning tool.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	Establishment of climate-related goals is under evaluation and planning.
9. Greenhouse gas inventory and assurance status.	<p>(1) Greenhouse gas inventory information will be released in 2026.</p> <p>(2) Complete confidence information will be disclosed in 2027.</p> <p>(3) Greenhouse gas reduction targets, strategies and specific action plans are under evaluation and planning.</p>

(VII) Status of ethical business management implementation and any non-conformity with Ethical Corporate Management Best Practice

Principles for TWSE/TPEx Listed Companies, and reasons thereof:

1. The Company has established a sound system of rules and regulations based on a business philosophy characterized by righteousness and accountability. It strictly abides by applicable laws and instructions of competent authorities. Law-based administration represents the fundamental spirit of ethical business management as implemented by the Company in all its internal management operations and business activities.
2. The Company has adopted an effective accounting and internal control system which is fully implemented to ensure ethical business management.

Items under evaluation	Status (Note)		Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	<u>Yes</u>	<u>No</u>	
<p>I. Establish ethical business policies and programs</p> <p>(I) Has the Company adopted an ethical business management policy which has been ratified by its Board of Directors and are ethical management policies and practices explicitly stated in its Articles of Incorporation or external correspondence? Are the Board of Directors and top management actively committed to fulfilling this commitment?</p>		V	<p>The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.</p>
<p>(II) Has the Company established an assessment mechanism for unethical conduct risks and does it conduct regular analyses and assessments of operating activities within its business scope that are characterized by high risks of such conduct? Has it formulated prevention programs for such conduct that at least include the seven preventive measures stipulated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice</p>		V	<p>The Company strictly abides by relevant provisions set forth in the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, and other applicable laws. Internal rules and regulations governing audits and internal control clearly stipulate that employees must comply with such provisions. The Ethical Corporate</p>

Items under evaluation	Status (Note)			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
Principles for TWSE/TPEX Listed Companies?			Management Best Practice Principles for TWSE/TPEX Listed Companies serve as the main reference for the implementation of ethical business management.	
(III) Has the Company explicitly stipulated operating procedures, conduct guidelines, disciplinary measures, and a grievance system in such prevention programs and are such programs fully implemented and regularly reviewed and revised?		V	The Company has established a sound corporate governance and risk control mechanism paired with a comprehensive set of rules and regulations to prevent the occurrence of unethical conduct and create a sustainable development-oriented business environment.	
II. Implementation of ethical business practices (I) Does the Company evaluate the integrity of all counterparties it has business dealings with? Does it stipulate ethical conduct provisions in agreements it signs with such counterparties?	V		Company authenticity is confirmed prior to transactions and procurement through queries conducted on the Department of Commerce MoEA website. Transaction records are obtained through various channels (e.g. credit checks) to confirm the business integrity of transaction counterparties. Reports on the current status of customers and suppliers are delivered in business and management meetings. If it is detected that transaction counterparties are involved in unethical conduct, rigorous controls of credit transactions are implemented immediately and a clear understanding of current risk exposure is obtained. The necessity of termination of business transactions with such customers is carefully assessed.	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
(II) Has the Company formed a dedicated unit subordinate to the Board of Directors in charge of ethical corporate management and does it report its ethical management policies, programs for prevention of unethical conduct, and supervision implementation status to the Board of Directors on a regular basis (at least one a year)?		V	The Company has not yet set up a dedicated unit to promote corporate integrity management. Preventive measures in the field of ethical business management are effectively implemented. In addition, a designated section for stakeholders has been set up on the website to provide a communication channel on illegal and unethical conduct for employees, investors, and other stakeholders. No ethical management violations were	

Items under evaluation	Status (Note)			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
			detected, no internal whistleblower reports were received, and no legal proceedings were initiated due to such violations.	
(III) Has the Company adopted policies to prevent conflicts of interest? Does it provide and properly implement adequate channels for communication?	V		The Company clearly stipulates in its Regulations Governing Procedure for Board of Directors Meetings that where a director or a juristic person that the director represents is an interested party in relation to one of the following agenda items, the director shall state the important aspects of the interested party relationship at the respective meeting. That director shall not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item. Said director may also not exercise voting rights as proxy for another director. In addition, the Company provides appropriate channels of communication to prevent unethical behaviors.	
(IV) Has the Company adopted an effective accounting and internal control system to facilitate implementation of ethical business practices? Do internal auditing units of the Company formulate audit plans based on the results of unethical conduct risk assessments? Is compliance with the aforementioned programs for prevention of unethical conduct audited based on such plans or has a CPA been engaged to conduct such audits?	V		The Company has a rigorous accounting system and dedicated, independent auditing unit in place. This unit conducts various internal audits in accordance with annual audit plans. All final account statements are audited by a CPA to ensure their fairness and impartiality.	
(V) Does the Company organize ethical business management-related internal or external training on a regular basis?	V		The Company educates its employees on ethical corporate management concepts in diverse meetings on a non-scheduled basis. In the future, it is planned to organize relevant training programs in accordance with actual needs.	

Items under evaluation	Status (Note)			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
<p>III. Reporting of misconducts</p> <p>(I) Has the Company established a clearly formulated reporting and incentive system and convenient whistleblowing channels? Has the Company assigned dedicated personnel to investigate the reported misconducts?</p>	V		The Company has stipulated performance appraisal and reward & penalty rules. Where employees violate ethical management regulations, competent department heads jointly deliberate reward and disciplinary measures. Employees are notified of the content of such measures via personnel order.	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
<p>(II) Has the Company adopted standard operating procedures for the investigation of reported misconduct? Has the Company prescribed follow-up measures and a confidentiality mechanism after completion of investigations?</p>		V	Where the Company detects that staff members are involved in unethical conduct, perpetrators are immediately ordered to stop such conduct upon verification of violations. Such matters are handled in an adequate manner to protect the right, interests, and reputation of the Company. If deemed necessary, the Company seeks compensation for damages through legal proceedings.	
<p>(III) Has the Company adequate measures in place to protect whistleblowers against retaliation as a result of whistleblowing?</p>		V	The Company maintains strict confidentiality of investigation contents and results to safeguard employee rights and interests. Adequate measures are adopted to protect whistleblowers against retaliation.	
<p>IV. Strengthening information disclosure</p> <p>(I) Has the Company disclosed its ethical management principles and implementation results on its website and Market Observation Post System (MOPS)?</p>		V	Implementation of ethical corporate management and measures adopted by the Company are disclosed in the annual report.	The Company handles relevant matters in conformity with legal regulations and non-conformities are not present.
<p>V. If the Company has adopted ethical corporate management best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE /TPEX Listed Companies, please describe relevant operations and discrepancies: N/A</p>				
<p>VI. Other important information that is helpful to understand the Company's ethical corporate management operation</p> <p>1. The Company has established "Operating Procedures for Preventing Insider Trading" that clearly stipulate that directors, managers, and employees shall not disclose any material inside information they have knowledge of to others. They shall not inquire about or collect the company's undisclosed material inside information that is unrelated to their duties from those who are aware of such information. They are also prohibited from disclosing to others any</p>				

Items under evaluation	Status (Note)		Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	<u>Yes</u>	<u>No</u>	
<p>material inside information of the Company that they become aware of not due to the execution of their duties. In addition, the Company will provide relevant information to the insiders from time to time.</p> <p>2. Integrity and integrity are deeply embedded in the Company's corporate ethics and culture. The Company constantly observes changes in the business environment, and revises the Ethical Corporate Management Best Practice Principles and operating procedures in line with government policy reviews.</p> <p><u>Note: Descriptions must be provided in the summary column regardless of whether “Yes” or “No” has been selected.</u></p>			

(VIII) Query modes for corporate governance principles and relevant rules and regulations

The Company hasn't yet formulated corporate governance principles and relevant rules and regulations. Such principles will be formulated in a timely manner as required based on the actual operating conditions of the Company.

(IX) Other important information conducive to a better understanding of the Company's status of corporate governance: N/A.

(X) Implementation status of the internal control system

1. Internal Control Declaration:

Toung Loong Textile MFG. Co., Ltd.
Declaration of International Control System

Date: March 13, 2024

The following declaration is made based on the results of the 2023 self-assessment of the Company's internal control system:

- I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of this system is to provide reasonable assurance in terms of the effectiveness and efficiency of operations (including profitability, performance and asset security etc.), reliable, timely and transparent reporting, and compliance with relevant laws and regulations.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The internal control judgment criteria defined in "the Regulations" consist of the following five essential components of internal control depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to "the Regulations" for details.
- IV. The Company has implemented the criteria of the internal control system referred to above to facilitate assessment of the effectiveness of internal control system design and implementation.
- V. Based on the results of the assessment, the Company finally confirmed the effectiveness of the design and implementation of our internal control system as of December 31, 2023 (including supervision and management of subsidiaries) in the fields of a clear understanding of the effectiveness and efficiency of operations in terms of goal achievement, reliability, timeliness, and transparency of reports, and compliance with relevant laws, norms, and regulations. This system provides reasonable assurance that the above objectives have been achieved.
- VI. The Declaration of Internal Control System is the main content of the Company's annual report and prospectus published. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The Declaration of Internal Control System was adopted unanimously at the Board meeting on March 13, 2024 with nine directors in attendance. The contents of the declaration have been accepted without objection.

Toung Loong Textile MFG. Co., Ltd.

Chairman: Chih-Chen Yu

President: Rong-Lih Yu

2. The internal control audit report issued by the CPA engaged to conduct an internal control audit, if any: N/A.

(XI) Penalties imposed in accordance with the law upon the company or its internal personnel, any penalties imposed by the company upon its internal personnel for violations of internal control system provisions, and major deficiencies and corrective action adopted accordingly in the most recent fiscal year and during the current fiscal year up to the date of publication of this annual report:

1. Major shortcomings: N/A
2. Corrective action adopted: N/A
3. Any penalties imposed by the company upon its internal personnel for violations of internal control system provisions: N/A

(XII) Major resolutions adopted by shareholders' meetings or by the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of publication of this annual report:

- i. Major resolutions adopted by shareholders attending the shareholders' meeting on June 2, 2023 and their implementation status:
 1. Ratification of the 2022 parent company only financial statement, consolidated financial statement, and business report. Implementation status: Approved by resolution
 2. Acknowledgment of 2022 surplus distribution.
Implementation status: Setting of August 7, 2023 as the distribution base date and completion on August 31, 2023
(cash dividend of NT\$0.7 per share)
- ii. Major board resolutions in 2023 up to the date of publication of this annual report
 - (1) Board meeting on 03/13/2023
 1. Approval of the report on the remuneration distributed to employees and directors/supervisors in 2022
 2. Ratification of the 2022 business report and financial statements.
 3. Approval of the 2022 Earnings Distribution Proposal.
 4. Approval of the declaration of effectiveness of design and execution of internal control system in 2022.
 5. Approved the 2023 business plan summary.
 6. Approval of matters pertaining to the convening of the 2023 Shareholders' Meeting
Implementation status: Handled in accordance with board resolutions and reported to the 2023 Shareholders' Meeting for ratification and resolution
 - (2) Board meeting on 05/11/2023
 1. Approved the financial statements for the first quarter of 2023.
 2. Appointment of the Corporate Governance Officer.
Implementation status: Carried out in accordance with board resolution
 - (3) Board meeting on 08/10/2023
 1. Approval of rotation of CPAs.
 2. Approved the financial statements for the first quarter of 2023.
 3. Approval of 2023 Moon Festival Bonus Distribution Proposal for Managerial Officers.
Implementation status: Carried out in accordance with board resolution
 - (4) Board meeting on 11/13/2023
 1. Approved the financial statements for the third quarter of 2023.
 2. Approval of 2024 Audit Plan.
 3. Approval of the "Internal Control System" and "Details of Internal Audit Implementation".
 4. Approval of the 2023 Year-end Bonus Distribution Proposal for Managerial Officers and 2023 Director, Supervisor, and Employee Remuneration Appropriation Proposal
Implementation status: Carried out in accordance with board resolution

(5) Board meeting on 3/13/2024

1. Approval of the report on the remuneration distributed to employees and directors/supervisors in 2023
2. Ratification of the 2023 business report and financial statements.
3. Approval of the 2023 Earnings Distribution Proposal.
4. Approval of the declaration of effectiveness of design and execution of internal control system in 2023.
5. Approved the 2024 business plan summary.
6. Approved the amendments to the "Rules of Procedure for Board of Directors Meetings" and "Audit Committee Charter".
7. Approval of matters pertaining to the convening of the 2024 Shareholders' Meeting
8. Approved the independence and suitability of the Company's CPAs, and recommended the appointment.

Implementation status: Proposals 1 - 3 are yet to be acknowledged, resolved or reported by the shareholders' meeting. The rest of the proposals have been handled in accordance with the resolutions of the board of directors.

(XIII) (XII) Recorded or written statements made by any director or supervisor expressing dissent to major resolutions adopted by the Board of Directors during the most recent year and during the current fiscal year up to the date of publication of this annual report: N/A

(XIV) Summary of resignation and dismissal of top executives including the Chairman, President, Accounting Officer, Financial Officer, Internal Auditing Officer, Corporate Governance Officer, and R&D officer during the most recent year and during the current fiscal year up to the date of publication of this annual report: N/A

V. Information on professional fees of attesting CPAs

Unit: Amounts expressed in thousands of New Taiwan Dollars

Firm Name	CPA Name	Duration of Audit	Audit Fee	Non-Audit Fee	Total
Toppest CPAs & Co.	Hsieh Wan-Li , Chang Wei-Cheng	20230101~20231231	2,900	56	2,956

Note: Non-audit services: non-managerial full-time employee salary information, business tax certification, etc.

- (I) If the non-audit fees paid to the CPA, accounting firm of the CPA, and their affiliates accounts for twenty-five percent or more of the audit fees, the company shall disclose the audit and non-audit fees as well as the contents of the non-audit services: N/A
- (II) Where audit fees decrease in the year of replacement of accounting firm compared to the year prior to replacement, total audit fees before and after replacement, and reasons of replacement shall be specified: N/A
- (III) Where audit fees decrease by 10% or more compared to the previous year, the actual difference, percentage, and reasons thereof shall be specified: N/A

VI. Replacement of CPA:

- (I) Former CPA: N/A
- (II) Succeeding CPA: N/A
- (III) The former CPA's written response to the provisions set forth in Article 10, Subparagraph 6, Items 1 & 2-3 herein: N/A

VII. Names, titles, and position(s) held by the Company's Chairperson, President, or any managerial officer in charge of financial or accounting matters at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm in the most recent fiscal year shall be disclosed. The term "Affiliates of the

Accounting Firm of the CPA” shall refer to companies/ organizations in which CPAs of the accounting firm hold a majority stake or a majority of the director positions or companies/organizations listed as affiliates in publicly disclosed or released information: N/A

VIII. Directors, supervisors, managerial officers, or shareholders with a stake of more than 10 percent have not transferred equity interests or changed their equity pledges in the most recent year and the current fiscal year up to the date of publication of the annual report:

Position	Name	2023		As of April 15 of the current year	
		Shareholding increase (decrease)	Increase (decrease) in shares pledged	Shareholding increase (decrease)	Increase (decrease) in shares pledged
Chairman	Chih-Chen Yu	0	0	0	0
Director	Ching-Chung Yu	0	0	0	0
Director	Representative of Chi Mei Industrial Co., Ltd.: Jing-Woei Jou	0	0	0	0
Director	Representative of Ju Cun Hong Co., Ltd.: Po-Yang Chen	0	0	0	0
Director	Jung-Chieh Yu	-186,000	0	-142,000	0
Director and President	Rong-Lih Yu	0	0	0	0
Director	Representative of MAO JIA INVESTMENT LTD.: Chiu-Yueh Chen	-59,000	0	0	0
Director	Representative of Siang Hao Investment Co.,LTD.: Kai-Ping Chang	0	0	0	0
Independent director	Hsueh-Tao Wu	0	0	0	0
Independent director	Yu-Te Ma	0	0	0	0
Independent director	Tai-Feng Huang	0	0	0	0
Vice President	Tai-Chen Chen	20,000	0	0	0
Vice President	Kai-Ping Chang	20,000	0	0	0
AVP, Auditing Office	Wu-Yu Peng	20,000	0	0	0

Note 1: Shareholders holding more than 10% of the total shares of the Company shall be identified as major shareholders and listed separately.

Note 2: If the counterparty of the equity transfer or equity pledge is a related party, the following table shall be filled out.

● Information on equity transfer where the counterparty is a related party:

Name (Note 1)	Reason for share transfer (Note 2)	Transaction date	Counterparty of transaction	The relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10% of the shares	Shares	Transaction price
Jung-Chieh Yu	As a gift	2024.04.01	Hui-Wen Yang	spouse	38,600	23.20
Jung-Chieh Yu	As a gift	2023.06.16	Hui-Wen Yang	spouse	93,000	25.85
Jung-Chieh Yu	As a gift	2024.04.01	Ching-Cheng Yu	child	103,400	23.20
Jung-Chieh Yu	As a gift	2023.06.13	Ching-Cheng Yu	child	93,000	25.85

Note 1: List the names of directors, supervisors, managers, and shareholders holding more than 10% of the shares.

Note 2: Fill in whether it is acquisition or disposition

● Information on equity pledge where the counterparty is a related party:

Name (Note 1)	Change in pledge Reason (Note 2)	Date of change	Counterparty of transaction	The relationship between the counterparty and the Company, its directors, supervisors, managers and shareholders holding more than 10% of the shares	Percentage of Ownership	Collateralization ratio	Amount of pledge (redemption)
None							

Note 1: List the names of directors, supervisors, managers, and shareholders holding more than 10% of the shares.

Note 2: List pledge or redemption.

IX. Information about the relationship among the Company's 10 largest shareholders:

Name (Note 1)	Own shareholding		Spouse and minor children Shareholding		Use someone else's name Total shares held		Titles/names and nature of relationship of top 10 Shareholders who are related parties, spouses, or relatives within the second degree of kinship (Note 3)		Remarks
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %	Name	Relationship	
Jung-Chieh Yu	6,405,719	5.22%	204,357	0.17%	0	0.00%	Rong-Lih Yu, Shu-Hui Yu Shu-Hua Yu	Relatives within the second degree of kinship	None
Rong-Lih Yu	6,368,094	5.19%	271,361	0.22%	0	0.00%	Jung-Chieh Yu, Shu-Hui Yu Shu-Hua Yu	Relatives within the second degree of kinship	
MAO JIA INVESTMENT LTD.	5,043,028	4.11%	0	0.00%	0	0.00%	None	None	
Representative of MAO JIA INVESTMENT LTD- Chiu-Yueh Chen	2,602	0.00%	59,830	0.05%	0	0.00%	None	None	
Sara Rose International Inc.	4,896,567	3.99%	0	0.00%	0	0.00%	None	None	
Representative of Sara Rose International Inc. - Jing-Woei Jou	102,524	0.08%	0	0.00%	0	0.00%	None	None	
Trust account for employee shareholdings of Toung Loong Textile MFG at China Trust	4,003,276	3.26%	0	0.00%	0	0.00%	None	None	
GTO CNC Solutions Corp.	3,830,100	3.12%	0	0.00%	0	0.00%	None	None	
Representative of GTO CNC Solutions Corp. - Hsu-Ju Wen	0	0.00%	0	0.00%	0	0.00%	None	None	
Han-huai Cheng	3,385,468	2.76%	0	0.00%	0	0.00%	None	None	
Chih-Chen Yu	2,938,003	2.39%	1,271,254	1.04%	0	0.00%	None	None	

Shu-Hui Yu	2, 178, 283	1.78%	0	0.00%	0	0.00%	Jung-Chieh Yu, Rong-Lih Yu Shu-Hua Yu	Relatives within the second degree of kinship
Shu-Hua Yu	2, 143, 361	1.75%	0	0.00%	0	0.00%	Jung-Chieh Yu, Rong-Lih Yu Shu-Hui Yu	Relatives within the second degree of kinship

Note 1: The top 10 shareholders should all be listed (for corporate shareholders, the name of the shareholder and its representative should be listed).

Note 2: Equity stakes are calculated based on shareholdings of the executive himself/herself, his/her spouse, his/her minor children, or under the name of a third party.

Note 3: Relationships between shareholders listed above (including juridical persons and natural persons) must be disclosed pursuant to the Regulations Governing the

Preparation of Financial Reports by Securities Issuers.

Chapter 4 Fundraising Status

I. Capital and issued shares

(I) Source of Capital Stock

Year/ Month	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital Stock	Others
82.03	10	30,000,000	300,000,000	30,000,000	300,000,000	Cash capital increase Capital increase through capitalization of earnings Capital increase through capitalization of capital reserves	Jing (81) Shang No. 126949 on December 28, 1992 0
83.06	10	36,000,000	360,000,000	36,000,000	360,000,000	Cash capital increase Capital increase through capitalization of earnings Capital increase through capitalization of capital reserves	Jing-Ji (82)-Shang-No. 124382 of December 14, 1993 0
83.09	10	41,760,000	417,600,000	41,760,000	417,600,000	Capital increase through capitalization of earnings Capital increase through capitalization of capital reserves	Economic (1994) Business No. 113590 of September 22, 1994 0
84.01	10	43,760,000	437,600,000	43,760,000	437,600,000	Cash capital increase	Jing (84) Shang-(No. 118641) of January 16, 1995 0
85.01	10	44,854,000	448,540,000	44,854,000	448,540,000	Capital increase through capitalization of capital reserves	Economic (1996) Business No. 120136 on January 9, 1996 0
86.01	10	69,339,400	693,394,000	69,339,400	693,394,000	Cash capital increase Capital increase through capitalization of capital reserves	Economic (1997) Business No. 101246 of January 25, 1997 0
86.10	10	120,000,000	1,200,000,000	113,207,280	1,132,072,800	Cash capital increase Capital increase through capitalization of earnings Capital increase through capitalization of capital reserves	Jing (86) Shang No. 120478 on October 18, 1997 0
87.08	10	172,000,000	1,720,000,000	133,584,590	1,335,845,900	Capital increase through capitalization of earnings Capital increase through capitalization of capital reserves	The Economic and Social Affairs Letter (087) Business No. 087122631 on August 20, 1998 0
88.11	10	172,000,000	1,720,000,000	140,263,820	1,402,638,200	Capital increase through capitalization of capital reserves	Jing (088) Shang No. 088142535 on November 25, 1999 0
89.12	10	172,000,000	1,720,000,000	145,173,060	1,451,730,600	Capital increase through capitalization of capital reserves	December 21, 2000 (089) Shang No. 089147462 0
95.06	10	172,000,000	1,720,000,000	120,286,286	1,202,862,860	Concise, consolidated elimination of treasury stock	Jing-Shou-Shang-Zi No. 09501160450 of the Ministry of Economic Affairs of July 25, 2006 0
2022.07	10	172,000,000	1,720,000,000	122,692,012	1,226,920,120	Capital increase through capitalization of earnings	Jing-Shou-Shang-Zi No. 11101183290 of the Ministry of Economic Affairs dated October 17, 2022 0

Type of share	Authorized capital stock		Authorized capital stock		Remarks
	Outstanding shares (Note)	122,692,012	Unissued shares	Total	
Ordinary share			49,307,988	172,000,000	

Note: Please specify whether such shares belong to TWSE- or TPEX-listed companies (restricted trading on the stock or OTC market should be indicated).

Information on summary reporting system: N/A

(II) Composition of shareholders

April 15, 2024

Composition of shareholders Quantity	Government Apparatus	Financial institution	Other Juristic Persons	Foreign-based institutions/organizations or foreign nationals	Individual	Treasury shares	Total
Number of person	0	2	165	38	13,587	0	13,792
Shares held	0	4,153,276	18,191,507	3,312,152	97,035,077	0	122,692,012
Shareholding percentage	0.00%	3.39%	14.83%	2.70%	79.08%	0.00%	100.00%

(III) Equity dispersion

April 15, 2024

Range of Shares	Number of Shareholders	Shares held	Shareholding percentage
1-999	8,626	263,917	0.22%
1,000-5,000	3,380	6,686,964	5.45%
5,001-10,000	777	5,403,882	4.40%
10,001-15,000	313	3,673,504	2.99%
15,001-20,000	159	2,777,820	2.26%
20,001-30,000	159	3,850,734	3.14%
30,001-40,000	98	3,456,369	2.82%
40,001-50,000	51	2,285,705	1.86%
50,001-100,000	96	6,598,707	5.38%
100,001-200,000	59	7,451,450	6.07%
200,001-400,000	26	7,346,943	5.99%
400,001-600,000	12	5,436,432	4.43%
600,001-800,000	8	5,651,653	4.61%
800,001-1,000,000	7	6,669,952	5.44%
1,000,001 and more	21	55,137,980	44.94%
Total	13,792	122,692,012	100.00%

Preferred shares: None

(IV) List of major shareholder

April 4, 2023

Shares	Shares held	Shareholding ratios
Name of major shareholder		
Jung-Chieh Yu	6,405,719	5.22%
Rong-Lih Yu	6,368,094	5.19%
MAO JIA INVESTMENT LTD.	5,043,028	4.11%
Sara Rose International Inc.	4,896,567	3.99%
Trust account for employee shareholdings of Toung Loong Textile MFG at China Trust	4,003,276	3.26%
GTO CNC Solutions Corp.	3,830,100	3.12%

Han-huai Cheng	3,385,468	2.76%
Chih-Cheng Yu	2,938,003	2.39%
Shu-Hui Yu	2,178,283	1.78%
Shu-Hua Yu	2,143,361	1.75%

(V) Information on market value, net value, earnings and dividends per share in the two most recent fiscal years

Year		2022	2023	As of March 31, 2024 (Note 8)
Item				
Market value per share (Note 1)	The Highest	36.00	29.90	26.60
	The Lowest	26.05	18.55	21.30
	Average	29.86	24.85	23.10
Net value per share (Note 2)	Before distribution	22.28	21.31	Not applicable.
	After distribution	21.58	20.81	
Earnings per Share	Weighted average shares	122692 thousand shares	122692 thousand shares	
	EPS (Note 3)	1.37	(0.13)	
	Retroactive adjustment of EPS	-	-	
Dividend per share	Cash dividends (Note 9)	0.7	0.5	
	Free-Gratis dividends	0	0	
		0	0	
	Retained dividends (Note 4)	0	0	
Return on investment analysis	Price-Earnings Ratio (Note 5)	21.80	(191.15)	
	Dividend Yield (Note 6)	42.66	49.7	
	Cash dividend yield (Note 7)	2.34	2.01	

* In the event of issuance of shares through the capitalization of earnings or capital reserves, information should be disclosed on the market value and cash dividends retroactively adjusted based on the number of distributed shares.

Note 1: Listing of the highest and lowest market value of ordinary shares and calculation of average annual market values based on the annual trading value and trading volume.

Note 2: Please specify net values at year end based on the number of shares outstanding and distributed based on resolutions of the Board of Directors or a Shareholders' Meeting of the following year.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: If it is prescribed in the equity security issuance conditions that undistributed dividends are to be accumulated until the year a surplus is recorded, the total amount of undistributed dividends in the current year should be disclosed.

Note 5: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share

Note 6: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share

Note 7: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor as of the date of publication of the annual report, and the information available until the date of publication of the annual report in the other fields.

Note 9: Approval of 2024 Earnings Distribution Proposal by shareholders' meeting resolution is still pending.

(VI) Dividend Policy and the Status of Implementation

- Dividend policy as stipulated in the Articles of Incorporation: The dividend policy shall be duly formulated by the Board of Directors and submitted to a shareholders' meeting for resolution on an annual basis in accordance with cumulative earnings, the current and future investment environment, capital needs, domestic and international competition, and capital budgeting with equal emphasis on shareholders' interest, equalization of dividends, and long-term financial planning of the Company. The Company distributes shareholder dividends

on an annual basis equivalent to at least 50% of after-tax earnings subject to deduction of accumulated losses in the respective year. Earnings may be distributed in form of cash or stock dividends. The amount of distributed cash dividends shall be at least equivalent to 30% of the total dividends distributed in the respective year.

2. Dividend distribution as proposed by the Shareholders' Meeting: It is planned to distribute cash dividends of NT\$0.5 per share subject to a resolution adopted by the Shareholders' Meeting on June 13, 2024. After approval by resolution of the Shareholders' Meeting, the Board of Directors will be authorized to set an ex-dividend base date.

(VII) Effect on the Company's operating performance and earnings per share of the proposed issuance of bonus shares at the current shareholders' meeting: Circumstances of the issuance of bonus shares.

(VIII) Remuneration to employees and directors:

1. **The percentages or ranges with respect to employee and director profit-sharing compensation, as set forth in the company's Articles of Incorporation:** Compensations payable to employees and directors shall equal or exceed 1% and 5%, respectively, of the profits in the respective year.
2. **The basis for estimating the amount of employee and director profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:** Listed as gains/losses subject to shareholders' meeting resolution
3. **Distribution of profit-sharing compensation approved by the board of directors:**
 - (1) Amount distributed to employees and directors in form of cash or stock dividends: None.
 - (2) The amount of any employee profit-sharing compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee profit-sharing compensation: N/A
4. **The actual distribution of employee and director compensation for the previous year (including the number of shares distributed, amount, and share price), and if there is any difference between the actual distribution and the recognized employee and director compensation, the difference, reasons, and handling should be stated:** The recognized employee compensation was NT\$10,000 thousand, and the actual amount distributed was NT\$10,000 thousand. The recognized director compensation was NT\$8,075 thousand, and the actual amount distributed was NT\$8,075 thousand.

(IX) Status of the Company repurchasing its own shares: None.

II. Corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Handling of employee stock warrants and restricted stock awards: None.

VI. Handling of mergers and acquisitions or issuance of new shares due to acquisition of shares of another company: None.

VII. Capital utilization plan implementation status: None.

X. The number of shares and total equity stake held by the Company, the Company's directors, supervisors and managerial officers, and any companies controlled either directly or indirectly by the Company, in a single enterprise:

Units: Shares; %

Reinvested businesses	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
Sarah Global Co., Ltd.	2,000,000	100%	0	0%	2,000,000	100%
Lung Hsiang Hsing INT'L Co.	1,600,000	66.67%	0	0%	1,600,000	66.67%
Toung Loong Textile MFG (Vietnam) Co. Ltd.,	Not applicable.	66.67%	0	0%	0	66.67%
SUN BEAM GLOBAL ENTERPRISE CO., LTD.	5,000	100%	0	0%	5,000	100%
Sarah International Co., Ltd.	Not applicable.	100%	0	0%	0	100%

Note: Investments are accounted for using the equity method.

Chapter 5 Operational overview

I. Business

(I) Business Scope:

1. Main Business Scope

1. Spinning of Yarn 2. Weaving of Textiles 3. Manufacture of Non-woven Fabrics 4. Printing, Dyeing, and Finishing 5. Wearing Apparel 6. Clothing Accessories 7. Other Textile and Products Manufacturing 8. Manufacture of Man-made Fibers 9. Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories 10. Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories 11. International Trade.

2. Proportion of Business (percentage of sales volume)

(1) Cloth yarn:88.84%

(2) Others:11.16%

3. Current Products (Services) of the Company

(1) Sewing thread

①Zipper wire ②SP line ③Polyester thread ④Nylon thread ⑤Bonded thread

(2) Fabric Yarn

①Velcro yarn ②AT yarn (air-twisted yarn) ③Textured yarn ④Fabric yarn

4. New Products (Services) To Be Developed

- (1) Nylon 66 super fine pre-dyed textured yarn for women's apparel, fashion and casual wear.
- (2) Two different or homogeneous fibers are hybridized by air-jet texturing processes and interwoven with downstream interwoven elastic fiber to make wrinkle-proof, light and shiny stretch fabric for sports and leisure fabrics.
- (3) Polyester superfine dyed yarn with moisture wicking and quick drying function, used in sports and sleep underwear fabrics, currently promoted in brand name leisure series.
- (4) DTY is used with Lycra® cover to make air covered yarn (ACY) with elastic properties, which can be used in lingerie and sports and leisure products.
- (5) Use of recycled PET bottles as raw material to reduce the use of petroleum and CO₂ emissions, and produce an environmentally friendly series of pre-dyed yarn products, which are used in famous sports brands and contribute to global environmental protection.

(II) Industry overview:

1. Overview and development of industry

Taiwan's textile industry is facing a fully liberalized global market with the elimination of import quotas. In addition to fierce competition from general products, the huge expansion of production capacity in Mainland China has exerted a formidable pressure on the supply side of the industry. In addition to strengthening the R&D and upgrading of differentiated products, it is more important for Taiwan's textile industry to explore new competitive markets to increase market opportunities. Although Taiwan's chemical fiber industry still plays a pivotal role in the globalization of the fiber industry, due to the rapid expansion of chemical fiber production capacity in Mainland China, India, etc., Taiwan's chemical fiber industry has been actively developing functional and differentiated products in recent years, and has significantly improved the quality of chemical fiber products,

which allows Taiwan's chemical fiber products to still enjoy a good reputation in the Chinese market. In the face of global competition, Taiwan's chemical fiber industry needs to actively integrate the upstream, midstream and downstream supply chains to jointly develop new markets so as to make its products more competitive in the global textile market.

2. Correlation between up-stream, mid-stream and down-stream of the industry

With the rising price of oil, the chemical fiber industry in Taiwan is facing a gradual increase in production costs, but the downstream manufacturers are unable to fully respond to the increase in cost, which indirectly affects the profitability of the industry. This has compelled the Company focus more on the development of pre-dyed yarn and other products that offer added value to the fiber. The Company is also working with its downstream partners in strategic alliances to face the global competition in the industry. Taiwan's chemical fiber textiles are still the most important part of the garment fiber market, and are the world's major suppliers of polyester and nylon fibers. Although the Company is in the secondary processing part of the industry chain, we are constantly developing into niche markets, adopting special processing technologies and cooperating with our downstream partners in design and weaving development, so that we can still achieve steady growth in the raw material market amidst competition.

3. Various Development Trends and Competitive Landscape of Products

Currently, the development trend of chemical fiber products is mostly towards the development of functional fiber, lightweight and special textured composite fiber products. Most of the functional textile products in the market are still developed by the upstream changes of the raw fibers, and the competition is increasing, but the trend is moving towards the secondary processing to effect more variations, which can ensure higher added value for chemical fiber products.

(III) Technology and R&D Overview:

1. Research and Development Expenses and Successfully Developed Technologies or Products as of the Latest Fiscal Year and Printing Date of This Annual Report

Currency unit: in NT\$ thousand

Year	R&D expenses
2023	15,007
As of March 31, 2024	1,164

2. R&D results

The Company operates a research and development organization and various executives oversee R&D work by a few dedicated staff. The organization was formally established in 1993, but we have been conducting various research and development work before that.

(1) Products:

- ① Air textured yarn (ATY): for casual wear and development of functional leisure wear.
- ② 6KG Zipper sewing thread:

The production of zippers is developing towards high speed and automation, and the quality required of the sewing thread required is very high. From the past

1KG/cone→3KG/cone→6KG/cone are all introduced by the Company to improve the equipment and production process. We now supply to Y.K.K. factories all over the world.

③ 150D/288F Microfiber:

After special treatment, Lycra® is woven into a stretch fabric with breathable, soft feel, sweat absorption and quick drying functions, suitable for high-value sports and leisure apparel.

④ Nylon 66:

Pre-dyed ATY was hybridized with Lycra® to weave into leotards and vivid ladies' apparel fabrics. In the past, the main material used for these products in Taiwan was CVC fiber pre-dyed yarn, but due to the change of consumer patterns in recent years, we started to look for new materials. Nylon 66 ATY offers abrasion resistance, bright color and soft hand, and will be the mainstream fabric in the future.

⑤ Nylon Wooly:

Pre-dyed nylon textured yarn and Lycra® are hybridized to create a soft touch fabric that can be used in lingerie, pajamas and casual wear, which is very popular among consumers and will be a trend in the future.

⑥ DTY with Lycra® cover is used to make air covered yarn (ACY) with elastic properties, which can be widely used in woven warp yarn, lingerie, sports and leisure products.

⑦ With our yarn dye equipment, we can produce two-colored yarn with tie dye effect by integrating the changes in the production process.

⑧ We can produce melange effect yarn with different styles by adopting new technology and equipment improvement, which is widely used in elastic knitted yoga apparel.

(2) Manufacturing Process:

① Shortening the manufacturing process of 2-ply yarn:

Original: Original yarn→Twisting (front)→Plying→Twisting→Setting→Cone oiling
→Packing

At present: Original yarn→Twisting (front)→Plying+Twisting+Oiling→Setting→Packing

└─→ With this new process, the labor cost can be reduced by 70%.

② Develop warp yarn for woven fabric: Introduce fixed length and automatic yarn doffing machine to improve the original production mode of length control, which greatly reduces the error between the length of each spindle and can be used to produce warp yarn for woven fabric.

3. Future R&D Plan

The Company will focus on the development of the following:

(1) Woven yarn:

① Develop special fiber with upstream, and develop various kinds of leisure and ladies' apparel with different functions by combining ATY and composite ATY technology.

② Utilize microfiber raw material with Spunfil technology to develop long fiber woven yarn with short fiber feather effect to increase the added value of the fabric, which can be used in high grade leisure apparel.

(2) Equipment:

- ① The Company will attempt to develop warehouse automation system that meets our own needs.
- ② Improve the effluent treatment plant and equipment, and match the dye selection and lower bath ratio production method in order to meet the stringent emissions standards in the future.

(IV) Long-Term and Short-Term Business Development Plans:

1. Short-Term Development Plan:

(1) Polyester and nylon pre-dyed yarn market development:

Expand the existing pre-dyed chemical fiber yarn from the popular fashion field to the sports and leisure fabric applications.

(2) Development of composite fiber products: Actively develop more competitive multi-variable products in line with the development of upstream raw materials and Toung Loong's composite technology.

2. Long-Term Development Plan:

(1) Sales market expansion: In addition to the existing Asian market, we will actively expand our sales to South Asia, Europe and America.

(2) Development of industrial textiles: In the future, we will expand into the industrial textiles market, such as the development of special fiber products for furniture and automobiles.

II. Market, Production and Sales Overview

(I) Market analysis:

1. Sales of major products (services) by region (percentage of sales value)

Unit: %

Product Type	Domestic market	Export					Subtotal
		Asia	Europe	Americas	Africa	Oceania	
Fabric Yarn	76.94%	11.12%	0.07%	0.04%	0.00%	0.67%	88.84%
Others	7.43%	3.26%	0.00%	0.44%	0.00%	0.03%	11.16%

2. Market Share:

At present, the proportion of sewing thread sales makes up less than 10% of our overall sales; the Company shall gradually move production to Vietnam in the future. Our main product items are nylon filament textured yarns, and our products are sold both domestically and internationally. As there are no clear statistics on the market, and it is not easy to collect data, in terms of market share, the Company is among the top manufacturers in the domestic textile industry.

3. Future Supply and Demand and Market Growth Potential

(1) Supply side:

① For sewing thread

Since most of the downstream factories have been relocated, the proportion of production has been significantly reduced, and the business will be gradually relocated to Vietnam. We will continue to serve our customers and utilize the residual value of our machines and equipment.

② Fabric Yarn

In the future, the Company's domestic development and transformation will focus on providing customers with high quality and high value products.

- A. Generally, the yarn for weaving can be divided into two types: one is mass-produced raw materials from spinning, yarn extraction or simple processing, such as raw yarn, cotton yarn, textured yarn, etc., which are processed at a lower technical level, so there is little variation in the product and the price is relatively low. The other one is to further transform or hybridize the aforementioned raw materials into composite fabrics and give them individual and unique processes according to the demands of the fabric characteristics, so that they can be processed into fabric yarns of special materials, such as ATY, heterogeneous yarns, hybrid yarns, high twist yarns, different-shrink yarns, and ACY, etc.
- B. The 150D/288F Microfiber developed by the Company in collaboration with NIKE, a world famous sports and leisure apparel company, is specially treated and woven with Lycra® to form a stretch fabric with superior air permeability, fine hand feel, sweat absorption and quick drying function, and comes with a high unit price as a high value-added product.
- C. The Company has further collaborated with major global manufacturers to produce Nylon 66 Microsoft Tactel solution-dyed yarns that feature excellent tenacity, stability, and higher heat resistance. The fabrics woven from these yarns possess an extremely soft touch that is highly favored by consumers, making them a trend-setting premium material for the future.
- D. With the super-elasticity of Lycra®, the Company has developed DTY air-covered yarn. In the future, it can be provided in the warp direction to develop leisure woven fabrics with elastic warp and weft.

(2) Demand side:

① For sewing thread

The Company is transforming into a professional manufacturer of special nylon textured yarn and pre-dyed yarn to provide customers that demand fast delivery at small quantities for varied products.

② Fabric Yarn

- A. The demand for fabric yarn has shifted from quantity production to quality improvement with the gradual refinement of fabrics. The textile industry has always been a major foreign exchange-generating industry for export sales. In recent years, due to the change of domestic industry structure and the price competition from emerging countries in Southeast Asia, traditional textile industry products have gradually become unsuitable for the domestic production environment, so the industry is either relocating out of Taiwan or changing the value of products. Therefore, the quality of textile yarn is particularly important in the pursuit of production capacity and the demand for fine premium fabrics.
- B. With the improvement of the world's consumer standard and purchasing power, and the influence of fashion trends, new materials and new fabric types with

characteristics are being constantly designed and developed, and future development will focus on small quantity and high value-added products. Among them, air false-twisted textured yarn and heterogeneous yarn will become the most prevalent fabrics. Air false-twisted textured yarn can be designed for a small number of different finished products, and can be processed from natural fiber, synthetic fiber or semi-synthetic fiber. The fiber can be transformed by aerodynamics, and more than two raw filaments with the same or different properties can be processed. Therefore, it is possible to select the appropriate raw materials according to the desired characteristics and adjust the combination by different processing conditions to create a new material with different fabric characteristics. This type of fabric yarn processed by air false-twisting processes can be homogeneous, or it can be a hybrid combination of two different fibers with different properties or used with downstream interwoven elastic fibers. At present, the popular wrinkle-free, light, cool and bright spandex fabrics, breathable, dry and non-sticky leotards, casual wear, advanced sportswear, premium ladies' wear materials and high value-added products with moisture absorption, sweat wicking and warmth are all representative of this fabric.

4. Favorable and Unfavorable Factors and Countermeasures for Competitive Niche and Development Prospect

Most of the Company's products are high value-added products with small quantities and many variations. The global elimination of quota restrictions on textile products since 2005 is a warning sign and an opportunity for domestic textile products. Since there is no quota restriction, we can develop high priced products to sell all over the world based on our product quality advantage, and serve our customers with our high quality professional nylon processing and pre-dyed yarn as our competitive niche.

(1) Favorable factors:

- ① The Company possesses complete and functional equipment to produce high quality, versatile and high value-added products: Most of our equipment are imported from Europe where the textile industry and textile machinery are very advanced. For example, our double twisting machine, plying machine, air twister machine, compound double twister machine, synchronized front and back twister machine, air false-twister machine, false twister machine, soft warp winding machine, hard warp winding machine, quick tube punching machine, automatic tube punching machine and dyeing equipment, etc., which can be matched by different functional machines to produce versatile variations and high value added products such as composite fiber.
- ② The Company possesses strong research and development capabilities to keep abreast of the market information and to develop and launch new products: In 1992, we established the R&D department, which is responsible for the collection of textile technology information, such as new materials, new technology, new processes, new equipment, market landscape, etc. With the improvement and upgrading of production technology, such as the revision of the production process technology of zipper yarn and velcro fabric yarn from the original five processes to three processes, which not only reduces production

costs but also improves the quality of products. C. Execution and tracking of new product development: Through customer commissions and self-development, we continuously launch new products, such as Nylon 66 Microsoft Tactel pre-dyed yarn with extremely soft touch, and SUPPLEX composite fiber for knitted sports and leisure apparel, etc.; D. Through the development and production of new products and the design of new processes, we can promote more rigorous and effective on-the-job training for our employees to achieve quality improvement and productivity enhancement.

- ③ The production capacity of yarn for textile accessories has reached economic scale and is highly competitive: Our products such as yarn for zipper sewing and velcro have reached economic scale and are of excellent quality, which are well recognized by the market. Long-term upstream and downstream technical exchanges have helped the Company establish a good collaborative system.
- ④ Diversification of products, strong development motivation, the ability to unite with the downstream industry, cooperation for international markets: As labor costs and environmental protection costs are increasing rapidly, textile downstream manufacturers need to develop high value-added products with less volume and more variation. By utilizing the technology and equipment of different functional machines to support production, the Company can cooperate with manufacturers' research and development to develop various materials with different characteristics and textures to meet the trend of the international weaving cloth market and strive for the high quality, and high value-added international weaving cloth market.

(2) Unfavorable factors:

- ① Competition from emerging industrializing countries: Emerging industrializing countries, taking advantage of their low labor costs, have seized the vast market with lower added value, causing intensifying competitive pressure on domestic textile manufacturers, forcing domestic manufacturers to respond to this strong market competition with efficient marketing capabilities and the development of higher value-added products.
- ② The massive outward migration of domestic manufacturers has caused the domestic demand market to shrink. However, the relocation of domestic manufacturers also stimulates the upgrading of domestic industries, thus giving another business opportunity for high value-added products despite unfavorable and shrinking market conditions.
- ③ Labor shortages and rising labor costs have caused a lot of trouble for the industry in general. Since the Company has always been committed to the development of diverse and varied high value-added products, coupled with the effectiveness of the long-standing cooperation in cooperative education and the policy of importing foreign labor, the acquisition of labor resources has stabilized, and impact to the Company has been mitigated.
- ④ Rising environmental awareness: In recent years, environmental awareness has risen and the government's requirements for environmental protection have gradually become more stringent. The Company invested in effluent pollution control equipment as early as in 1978, and added pollution control equipment in 1990, 1994 and 2016, while also setting up a special unit to monitor industrial effluent on a daily basis to comply with national

discharge standards.

(3) Countermeasures:

- ① Improve the production process and accelerate the automation equipment to replace the shortage of manpower and reduce costs to enhance competitiveness.
- ② Quickly serve customers' needs for high quality products to meet the dynamic and rapidly-evolving market.

(II) Key Applications and Production Process of the Main Products:

1. Key Applications

Product Type	Intended use
Zipper yarn	For nylon zipper sewing chain tooth
SP thread	Staple sewing thread for garments and general fabrics
Polyester thread	High-strength thread for high-grade thin garments, shoes, bags, and industrial use
Nylon thread	High-strength thread for high-grade thin garments, shoes, bags, and industrial use
Bonded thread	For sewing heavy items such as canvas, shoes, suitcases, and leather goods
Velcro yarn	For velcro fabrics
AT yarn	For knitted and woven high quality garments
Textured yarn	For weaving cloth and ribbons
Fabric yarn	For weaving various kinds of fabrics

2. Production Process

Product Type	Production Process
Zipper yarn	Original Yarn →Twist→Setting→Coning →Packing
SP thread	Original Yarn→Coning →Dyeing→Coning→Packing
Polyester thread	Original Yarn →Twisting→Setting→Coning →Packing
Nylon thread	Original Yarn →Twisting→Setting→Coning →Packing
Bonded thread	Original Yarn →Twisting→Dyeing→Gluing→Coning →Packing
Velcro yarn	Original Yarn →Twisting→Setting→Packing
AT yarn	Original Yarn →Air Texturing →Setting→Packing
Textured yarn	Original Yarn →False Twisting →Setting→Packing
Fabric yarn	Original Yarn →Air Texturing or False Twisting→Dyeing→Coning →Packing

(III) Supply of Main Raw Materials

The raw materials used by the Company are divided into two types: polyamide fiber (nylon) and polyester fiber (Tetoron), which can be divided into domestic and foreign procurement according to nature of procurement. Most of the Company's procurements are from domestic suppliers, which are mostly major domestic chemical fiber manufacturers.

(IV) The Names of Customers Who Have Accounted For More Than 10% Of the Total Purchase (Sales) In Any of the Last Two Fiscal Years, the Amount and Proportion of Purchase (Sales), and the Reasons for the Increase or Decrease

1. Major Customers over the Last Two Fiscal Years

	2023				2022			
Item	Name	Amount	Percentage of net sales [%] for the year	Relationship with the issuer	Name	Amount	Percentage of net sales [%] for the year	Relationship with the issuer
1	AA	984,030	34.92%	None	AA	1,375,772	33.56%	None
2	Others	1,834,216	65.08%	None	Others	2,724,111	66.44%	None
	Net sales	2,818,246	100.00%		Net sales	4,099,883	100.00%	

Note 1: The names of customers that contribute more than 10% of total sales and the amounts and percentages of sales for the last two years are listed, except that the names of customers are not disclosed if required under contract or if the customers are individuals and not related parties, whereby they may be listed under a code name.

Note 2: As of the date of the annual report, the most recent financial information of companies whose shares are listed or traded on the stock exchange or securities dealer should be disclosed if they have been audited or reviewed by a certified public accountant.

Description of change: The Company's sales to major customers are stable and the ranking did not change much. The amount of the purchase orders are subject to change depending on the economic conditions.

2. Major Suppliers Over the Last Two Fiscal Years

	2023				2022			
Item	Name	Amount	Annual net procurement ratio (%)	Relationship with the issuer	Name	Amount	Annual net procurement ratio (%)	Relationship with the issuer
1	aa	542,736	36.63%	None	aa	953,566	34.93%	None
2	bb	449,222	30.32%	None	bb	891,763	32.67%	None
	Others	489,543	33.05%		Others	884,470	32.40%	
	Net procurement	1,481,501	100.00%		Net procurement	2,729,799	100.00%	

Note 1: The names of suppliers that contribute more than 10% of total sales and the amounts and percentages of sales for the last two years are listed, except that the names of suppliers are not disclosed if required under contract or if the customers are individuals and not related parties, whereby they may be listed under a code name.

Note 2: As of the date of the annual report, the most recent financial information of companies whose shares are listed or traded on the stock exchange or securities dealer should be disclosed if they have been audited or reviewed by a certified public accountant.

Description of change: The original supplier increased shipments to the Company

(V) Production volume table for the last two yearsProduction volume table for the last two years

Currency unit: tonnage/ in NT\$ thousand

Production value Main products (or by department)	Year	2023			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Fabric Yarn		28,000	7,503	2,158,925	28,000	13,274	3,661,051
Others		4,200	1,165	202,847	4,200	1,814	241,818
Total		32,200	8,668	2,361,772	32,200	15,088	3,902,869

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account necessary shutdowns, holidays and other factors.

Note 2: If the production of each product is substitutable, the production capacity may be combined and explained in the notes.

(VI) Sales volume and value in the last two yearsSales volume table for the last two years

Currency unit: tonnage/ in NT\$ thousand

Sales Volume Main products (or by department)	Year	2023				2022			
		Domestic market		Export		Domestic market		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Fabric Yarn		7,374	2,168,227	1,152	335,378	10,286	3,157,357	1,809	522,766
Others		965	209,513	346	105,128	1,626	273,351	566	146,409
Total		8,339	2,377,740	1,498	440,506	11,912	3,430,708	2,375	669,175

III. The number of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels

Information on employees for the last two years and up to the date of publication of the annual report

Year		2023	2022	As of March 31, 2024
Number of employees	Employees	149	162	150
	Technicians	71	76	71
	Operators	406	440	395
	Total	626	678	616
Average age		39.87	39.96	40.51
Average years of service		11.06	10.16	11.24
Qualification	Doctoral degree	0.00%	0.00%	0.00%
	Master's degree	1.12%	1.03%	1.14%
	University/college	23.32%	23.89%	23.54%
	High school	40.10%	38.35%	39.94%
	Below high school	35.46%	36.73%	35.39%

IV. Environment protection expenditure information

- (I) For the most recent year and as of the date of the annual report, the losses (including compensation) incurred from environmental pollution and the results of environmental protection audits for violations of environmental laws and regulations: None
- (II) Current and Future Countermeasures, Response Measures and Possible Losses
- (1) The current pollution situation and its improvement will affect the Company's earnings, competitive position, capital expenditures and its estimated significant capital expenditures for environmental issues over the next three years. The Company has fully grasped the pollution situation, and the effluent discharge is now in compliance with the EPA standards. We will increase our pollution mitigation budget as production ramps up.
 - (2) In general, the industry lacks scale or has limited ability to develop new products, and lacks facilities to prevent pollution, so as environmental requirements become increasingly stringent, the competitive advantage of the Company's plant becomes more favorable. The Company is also committed to the implementation of waste reduction projects to reduce the amount of wastewater from the dyeing process, reduce the concentration of effluent, and accelerate the improvement of effluent problems.
 - (3) In the future, we will strengthen the wastewater treatment process and control the quality of discharged effluent.

V. Labor/management relations

(I) Employee Welfare Measures

Since its establishment, the Company has attached great importance to labor harmony and employee welfare. In addition to following the provisions of the Labor Standards Act, the Employee Welfare Committee has been established to organize the following employee welfare programs on a regular or irregular basis:

1. Monthly birthday celebrations with gift vouchers.
2. Year-end gala dinner and lottery activities.
3. Teambuilding dinner and incentive travel subsidies.
4. Childcare subsidy for employees' offspring.
5. Employees' wedding, dowry subsidies.
6. Free teaching of various technical and life courses and continuing education incentives.
7. Various books, cultural and recreational equipment, sports equipment purchase and provision.
8. Gift vouchers for the Dragon Boat Festival, Mid-Autumn Festival and Lunar New Year.
9. Congratulation and consolation/bereavement subsidies for weddings, funerals, birth of children, and purchase of new home.
10. The Company offers hygienic, healthy and nutritious employee canteen meals and provides three meals in the form of buffet and free midnight shift snacks.
11. The Company operates a discount store for the benefit of our employees by providing affordable products.

(II) Continuing Education and Training:

1. The Company provides timely education and training programs for employees, including orientation training for new employees, on-the-job professional training for employees, and other continuing education. The Company also provides professional knowledge or skills training for employees with different attributes, such as crane operator training, auditor training, etc.

Year	2023
Total expenditure on education and training (in NT\$ thousand)	174

2. Status of Licenses and Certifications Obtained by Employees Related to Financial Information Transparency as Specified by the Competent Authorities

Name of license obtained	Issuing authority	Number of person
Continuing education classes for accounting executives of securities issuers and securities dealers	Accounting Research and Development Foundation	1
Internal Control System On-the-job Training Workshop	Securities and Futures Institute	1
	Accounting Research and Development Foundation	2

(III) Retirement System and its Implementation:

The Company handles the retirement of employees in accordance with the relevant laws and regulations of the competent authorities, which covers all regular employees. In accordance with the Regulations, the pension payments for employees subject to the Labor Standards Act are calculated based on the base amount received for years of service and the average salary for the six months prior to retirement. The base amount is calculated based on two bases for each year of service in the first 15 years of service and one base amount for each year of service starting from the 16th year. Under the pension plan, the Company is responsible for all pension benefits. After the implementation of the Labor Pension Act (the "new system") on July 1, 2005, employees may choose to be subject to the Labor Standards Act or to be subject to the new system and retain their service years prior to the application of the new system. If an employee who was subject to the "Labor Standards Act" elects to be subject to the new system or an employee who assumes employment with the Company after the implementation of the new system, the employee's service seniority shall be subject to a defined contribution system and the Company shall contribute monthly at 6% of monthly wages to the pension fund, which shall be deposited in a special labor pension account.

(IV) Agreements Between Employers and Employees and Measures to Protect Employees' Rights and Interests:

The Company has complied with relevant government regulations since its establishment, and few labor disputes have occurred. Before the enactment of the Labor Standards Act in 1987, the Company also followed the Factory Act, and all items such as retirement, maternity leave, special leave, holiday work, and salary and labor insurance have taken into account the interests of both employers and employees.

(V) Losses Suffered From Labor Disputes in the Most Recent Year and up to the Date of Printing of the Annual Report; The Estimated Amount of Current and Potential Future Losses and Contingency Measures to Address Them:

The Company has not suffered any loss due to labor disputes in the recent year and as of the date of the annual report, and there is no risk of dispute under the current situation. The Company will continue to maintain good labor relations by fully coordinating and communicating with employees by embodying the spirit of taking care of employees and sharing benefits.

(VI) Employee Code of Conduct or Code of Ethics

The Company has established the "Work Rules" in accordance with the Labor Standards Act, as well as related laws and regulations. These rules shall apply to all employees who are employed by the Company and receive wages for their work.

(VII) Protection Measures for Workplace Environment and Personal Safety of Employees

1. In accordance with the provisions of the Occupational Safety and Health Act, the Company shall formulate policies to protect the safety of employees, conduct employee training, supervise their compliance, conduct regular automatic inspections, and perform safety checks.

2. Participate in safety and health education and training necessary for work and disaster prevention, such as: labor safety and health management personnel training, First Class Pressure Vessel operator training, occupational disaster first aid training etc.
3. Install fire-fighting facilities, conduct regular fire-fighting training and fire-fighting equipment maintenance.

VI. Information Security Management

(I) Describe the information security risk management framework, information security policies, specific management plans, and resources devoted to information security management, etc.:

1. Information security risk management framework
 - The Company has established an information security promotion team in accordance with the Information Security Control Guidelines for Listed Companies to plan, execute and promote information security management and to promote information security awareness.
 - In accordance with the Information Security Classification and Protection Plan For Listed Companies, the Company has established a management representative and a dedicated information security manager and a dedicated information security officer.
 - The Company's Audit Office is the responsible audit unit for information security monitoring. If the audit reveals any deficiencies, the audited unit is immediately requested to propose relevant improvement plans and submit them to the board of directors, and the effectiveness of the improvements is regularly tracked to reduce internal information security risks.
2. Information security policy
 - To ensure the smooth operation of the Company's business operations and to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information or information systems, and to ensure the confidentiality, integrity and availability. This policy has been formulated as follows for all colleagues to comply:
 - (1) Ensure that relevant personnel are familiar with the information security incident reporting mechanism and effectively complete the reporting operations.
 - (2) Conduct regular internal audits to ensure that relevant operations are thoroughly implemented.
 - (3) Ensure that the Company's network services maintain a certain level of availability. (Can be adjusted as appropriate)
3. Information security specific management plan
 - The Company's computer servers, application servers and other equipment are set up in a dedicated server room, where records of access by external personnel are kept.
 - The computer room is equipped with an independent air conditioning system and temperature/humidity monitoring to maintain the computer equipment in an appropriate temperature environment for operation. A monitoring system for the computer room equipment is implemented to ensure the normal operation of the equipment. Carbon dioxide fire extinguishers are in place to ensure that fires can be extinguished immediately when they occur.

- The servers in the computer room use rack-mounted power strips, and the electrical wires are regularly inspected for safety to ensure electrical safety in the computer room. Uninterruptible power supply (UPS) and voltage stabilization equipment are in place to prevent system damage and data integrity issues caused by unexpected power outages from the utility company, as well as to ensure that the ERP system continues to operate during momentary power interruptions and voltage fluctuations.
- Information Security Promotion: Every employee is provided with an information security awareness card to promote information security concepts and incident response. Users are kept informed of new security threats and countermeasures through irregular emails and Line messages. When necessary, physical or online information security training courses are organized for promotion purposes.

(II) Specify the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and as of the date of printing of the annual report. If it is not reasonably estimable, please describe the reasons why not: None.

VII. Important contract

Nature of contract	Party concerned	Contract Duration	Main Content	Restrictive clause
Mortgage loan	Mega Bank	2017.06.22~2027.06.22	A loan of NT\$120,000 thousand secured by land and factory plant, repayable in installments.	None
Mortgage loan	Taiwan Cooperative Bank	2020.03.23~2038.03.23	A loan of NT\$325,453 thousand secured by land and factory plant, repayable in installments.	None
Credit loans	Taipei Fubon Bank	2023.05.24 - 2025.05.24	Credit loan of NT\$200,000 thousand, repayable on maturity.	None
Credit loans	Chinatrust Bank	2023.09.30 - 2025.09.30	Credit loan of NT\$130,000 thousand, repayable on maturity.	None
Mortgage loan	Mega Bank	2019.07.04~2024.07.04	A loan of NT\$70,000 thousand secured by land and factory plant, repayable in installments.	None
Credit loans	Hua Nan Bank	2020.05.15~2026.05.15	Credit loan of NT\$56,000 thousand, repayable in installments.	None
Credit loans	Bank of Taiwan	2020.05.15~2026.05.15	Credit loan of NT\$64,000 thousand, repayable in installments.	None
Machinery loan	The Export-Import Bank of R.O.C.	2020.08.17~2026.08.15	A machinery loan of NT\$120,000 thousand, repayable in installments.	None
Credit loans	Chang Hwa Bank	2020.09.15~2026.09.15	Credit loan of NT\$16,000 thousand, repayable in installments.	None
Machinery loan	Chang Hwa Bank	2020.09.15~2026.09.15	A machinery loan of NT\$96,000 thousand, repayable in installments.	None
Mortgage loan	Taiwan Cooperative Bank	2020.12.31~2026.12.15	A machinery loan of NT\$144,000 thousand, repayable in installments.	None
Credit loans	Mega Bank	2021.02.08~2027.01.15	Credit loan of NT\$40,000 thousand, repayable in installments.	None
Machinery loan	Mega Bank	2021.04.20~2027.04.15	A machinery loan of NT\$85,690 thousand, repayable in installments.	None
Machinery loan	The Export-Import Bank of R.O.C.	2022.11.21~2028.01.18	A machinery loan of NT\$150,000 thousand, repayable in installments.	None
Mortgage loan	Taiwan Cooperative Bank	April 14, 2023 - December 31, 2024	Collateralized loan of NT\$99,900 thousand.	None
Credit loans	Taiwan Cooperative Bank	2023.10.11 - 2024.12.31	Borrowing NT\$370,000 thousand for plant construction.	None

Chapter 6 Financial overview

I. Concise Balance Sheets and Statements of Comprehensive Income of the five most recent fiscal years, CPA name(s) and audit opinions

- (I) Concise Balance Sheets and Statements of Comprehensive Income - prepared in accordance with IFRSs

Consolidated concise balance sheet

Unit: Amounts expressed in thousands of New Taiwan Dollars

Year Item		Financial information in the most recent 5 years (Note 1)					Financial information for the current year up to March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Current asset		2,661,808	2,694,792	2,779,990	2,545,666	2,479,296	-
Property, Plant and Equipment		2,761,017	2,833,703	2,862,637	3,006,344	3,021,886	-
Intangible Assets		11,414	9,751	5,920	1,981	936	-
Other assets		437,431	518,022	348,615	429,002	326,211	-
Total Assets		5,871,670	6,056,268	5,997,162	5,982,993	5,828,329	-
Current liabilities	Before distribution	2,148,765	2,380,429	1,940,782	2,003,556	1,859,972	-
	After distribution	2,269,051	2,524,772	2,097,154	2,089,440	Undistributed	-
non-current liabilities		867,966	1,355,988	1,308,401	1,188,245	1,299,447	-
Total liabilities	Before distribution	3,504,753	3,248,395	3,249,183	3,191,801	3,159,419	-
	After distribution	3,625,039	3,392,738	3,405,555	3,277,685	Undistributed	-
Equity attributable to the parent company		2,564,146	2,495,255	2,693,039	2,734,155	2,614,598	-
Share capital		1,202,863	1,202,863	1,202,863	1,226,920	1,226,920	-
Additional paid-in capital		167,271	167,271	167,271	167,271	167,271	-
Retained earnings	Before distribution	1,195,652	1,255,555	1,393,006	1,380,147	1,278,355	-
	After distribution	1,075,366	1,111,212	1,212,577	1,294,263	Undistributed	-
Other equities		(61,543)	(70,531)	(70,101)	(40,183)	(40,183)	-
Treasury stocks		0	0	0	0	0	-
Non-controlling interest		59,129	56,260	54,940	57,037	54,312	-
Total equity	Before distribution	2,623,275	2,551,515	2,747,979	2,791,192	2,668,910	-
	After distribution	2,478,93223	2,431,229	2,591,607	2,705,308	Undistributed	-

Note 1: The financial statements for 2019 to 2023 have been audited and attested by a CPA.

Note 2: The financial statement for Q1 2024 has not yet been disclosed since it has not been reviewed by a CPA.

Consolidated, Concise Statement of Comprehensive Income

Unit: Expressed in NT\$ thousand; except EPS expressed in NT\$)

Item \ Year	Financial information in the most recent 5 years (Note 1)					Financial information for the current year up to March 31, 2024 (Note 2)
	2019	2020	2021	2022	2023	
Operating revenue	3,563,732	3,151,677	5,024,292	4,099,883	2,818,246	-
Gross profit	482,143	252,139	638,768	440,584	171,611	-
Operating profit or loss	279,714	74,590	422,425	160,574	(9,308)	-
Non-operating income and expense	(3,130)	21,147	(13,261)	45,173	(3,286)	-
Profit before tax	276,584	95,737	409,164	205,747	(12,594)	-
Profit from continuing operations	215,166	86,362	321,791	172,300	(12,152)	-
Loss from discontinued operations	0	0	0	0	0	-
Net income (loss)	215,166	86,362	321,791	172,300	(12,152)	-
Other comprehensive income in the current period (net amount after tax)	(7,447)	(11,539)	131	33,680	(19,110)	-
Total comprehensive income in the current period	207,719	74,823	321,922	205,980	(31,262)	-
Net profit attributable to parent company	210,299	84,440	317,640	167,570	(15,908)	-
Net profit attributable to non-controlling interests	4,867	1,922	4,151	4,730	3,756	-
Total comprehensive income attributable to parent company	203,876	75,452	318,070	197,488	(33,673)	-
Total comprehensive income attributable to non-controlling interests	3,843	(629)	3,852	8,492	2,411	-
EPS (Note 3)	1.75	0.70	2.59	1.37	(0.13)	-

Note 1: The financial statements for 2019 to 2023 have been audited and attested by a CPA.

Note 2: The financial statement for Q1 2024 has not yet been disclosed since it has not been reviewed by a CPA.

Note 3: EPS is calculated based on the quantity of outstanding common stock by employing the weighted average method. Calculations are adjusted retroactively based on the quantity of common stock issued through conversion of earnings or capital reserves into share capital.

(II) Concise Balance Sheets and Statements of Comprehensive Income - prepared in accordance with IFRSs

Parent Company-Only Concise Balance Sheet

Unit: Amounts expressed in thousands of New Taiwan Dollars

Year Item		Financial information in the most recent 5 years (Note 1)					
		2019	2020	2021	2022	2023	Financial information for the current year up to March 31, 2024
Current asset		2,383,388	2,378,323	2,475,423	2,280,361	2,203,471	Not applicable.
<u>Property, Plant and Equipment</u>		2,705,067	2,789,052	2,828,424	2,976,273	2,996,579	
Intangible Assets		10,140	8,854	5,283	1,586	838	
Other assets		665,125	716,639	549,035	647,521	539,375	
Total Assets		5,763,720	5,892,868	5,858,165	5,905,741	5,740,263	
Current liabilities	Before distribution	2,331,609	2,041,626	1,856,726	1,983,341	1,826,219	
	After distribution	2,475,952	2,161,912	2,013,098	2,069,225	Undistributed	
<u>Non-current liabilities</u>		867,965	1,355,987	1,308,400	1,188,245	1,299,446	
<u>Other liabilities</u>		0	0	0	0	0	
Total liabilities	Before distribution	3,199,574	3,397,613	3,165,126	3,171,586	3,125,665	
	After distribution	3,343,917	3,517,899	3,321,498	3,257,470	Undistributed	
Share capital		1,202,863	1,202,863	1,202,863	1,226,920	1,226,920	
Additional paid-in capital		167,271	167,271	167,271	167,271	167,271	
Retained earnings	Before distribution	1,255,555	1,195,652	1,393,006	1,380,147	1,278,355	
	After distribution	1,111,212	1,075,366	1,212,577	1,294,263	Undistributed	
<u>Other equities</u>		(61,543)	(70,531)	(70,101)	(40,183)	(57,948)	
<u>Treasury stocks</u>		0	0	0	0	0	
Total equity	Before distribution	2,564,146	2,495,255	2,693,039	2,734,155	2,614,598	
	After distribution	2,419,803	2,374,969	2,536,667	2,648,271	Undistributed	

Note 1: The financial statements for 2019 to 2023 have been audited and attested by a CPA.

Parent Company-Only Concise Statement of Comprehensive Income

Unit: Amounts expressed in thousands of New Taiwan Dollars

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information for the current year up to March 31, 2024
	2019	2020	2021	2022	2023	
Operating revenue	3,275,820	2,924,980	4,782,904	3,825,122	2,602,613	Not applicable.
Gross profit	386,734	190,563	568,710	349,089	104,470	
Operating profit or loss	227,138	50,473	392,345	114,546	(32,664)	
<u>Non-operating revenue and expenses</u>	34,932	40,452	8,637	77,513	11,672	
<u>Profit (loss) before tax</u>	262,070	90,925	400,982	192,059	(32,664)	
Profit or loss from continuing operations	210,299	84,440	317,640	167,570	(20,992)	
Loss from <u>discontinued operations</u>	0	0	0	0	0	
Net income (<u>net loss</u>)	210,299	84,440	317,640	167,570	(15,908)	
<u>Other comprehensive income recognized for the period</u>	(6,423)	(8,988)	430	29,918	(17,765)	
Total comprehensive income in the current period	203,876	75,452	318,070	197,488	(33,673)	

Note 1: The financial statements for 2019 to 2023 have been audited and attested by a CPA.

● The names of CPA conducting financial audits in the most recent five years and their audit opinions

Financial audit year	Firm Name	CPA Name	Audit opinions
2019	PwC Taiwan	Ming-Sung Hu, Wei-Cheng Chang	No qualified opinions
2020	PwC Taiwan	Shu-Chin Yu, Wei-Cheng Chang	No qualified opinions
2021	PwC Taiwan	Shu-Chin Yu, Wan-Li Hsieh	No qualified opinions
2022	PwC Taiwan	Shu-Chin Yu, Wan-Li Hsieh	No qualified opinions
2023	PwC Taiwan	Chang Wei-Cheng, Hsieh Wan-Li	No qualified opinions

II. Financial analysis for the most recent 5 fiscal years

(I) Financial analysis for the most recent 5 fiscal years - Conducted in accordance with IFRSs - Consolidated

Year (Note 1) Item (Note 3)		Financial analysis for the most recent 5 fiscal years					Financial information for the current year up to March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	55.32	57.87	54.18	53.35	54.21	-
	Long-term funds to PPE ratio	126.45	137.89	141.70	132.37	131.32	-
Solvency (%)	Current ratio	111.82	125.41	143.24	127.06	133.30	-
	Quick ratio	48.08	59.29	67.63	48.88	60.10	-
	Times interest earned ratio	10.53	4.40	17.52	7.53	0.66	-
Utility	Receivables turnover (times)	9.95	7.96	9.47	9.53	10.44	-
	Average cash collection days	36.68	45.85	38.54	38.30	34.96	-
	Inventory turnover (times)	2.10	2.00	3.22	2.54	1.83	-
	Payables turnover (times)	12.44	11.31	13.74	12.79	10.77	-
	Average sales days	173.80	182.50	113.35	143.70	199.45	-
	PPE turnover (times)	1.29	1.10	1.76	1.36	0.93	-
	Total assets turnover (times)	0.61	0.52	0.84	0.69	0.48	-
Profitability	ROA (%)	4.08	1.85	5.66	3.29	0.52	-
	ROE (%)	8.15	3.34	12.14	6.22	(0.45)	-
	Income before tax to paid-in capital ratio (%)	22.99	7.96	34.02	16.77	(1.03)	-
	Net profit margin (%)	6.04	2.74	6.40	4.20	(0.43)	-
	EPS (NT\$)	1.75	0.70	2.64	1.37	(0.13)	-
Cash flows	Cash flow ratio (%)	22.71	14.34	39.99	27.04	26.68	-
	Cash flow adequacy ratio (%)	74.31	65.95	71.23	74.34	89.64	-
	Cash reinvestment ratio (%)	4.63	2.30	8.49	4.99	5.05	-
Leverage	Operating leverage	1.99	6.49	2.69	2.47	(63.85)	-
	Financial leverage	1.10	1.55	1.06	1.22	0.18	-

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required):

1. Increase of quick ratio: Caused by Increase of Current ratio and inventory reduction.
2. Decrease of Times interest earned ratio: Caused by YoY decrease of profit before tax.
3. Decrease of inventory turnover and PPE turnover and Total assets turnover, increase of average days to sell inventory, and total asset turnover: Due to reduced revenue and slow inventory digestion, all operating capabilities have declined.
4. Decreased profitability: YoY decline of profitability caused by diminishing revenues and dropping gross margins.
5. Increase in cash flow adequacy ratio: Due to capital expenditures, cash dividends and inventory increases both decreased.
6. Increase in DFL (degree of financial leverage): Caused by operating loss.

(II) Financial analysis for the most recent 5 fiscal years - Conducted in accordance with IFRSs - Consolidated

Year (Note 1) Item (Note 3)		Financial analysis for the most recent 5 fiscal years					Financial information for the current year up to March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	55.51	57.66	54.03	53.70	54.45	-
	Long-term funds to PPE ratio	126.88	138.08	141.47	131.79	130.62	-
Solvency (%)	Current ratio	102.22	116.49	133.32	114.98	120.66	-
	Quick ratio	42.16	52.61	60.76	41.91	52.11	-
	Times interest earned ratio	10.62	4.32	18.11	7.49	0.47	-
Utility	Receivables turnover (times)	10.39	8.28	9.93	9.87	10.90	-
	Average cash collection days	35.12	44.08	36.75	36.98	33.48	-
	Inventory turnover (times)	2.14	2.05	3.38	2.63	1.86	-
	Payables turnover (times)	12.06	11.02	13.47	12.36	10.26	-
	Average sales days	170.56	178.04	107.99	138.78	196.23	-
	PPE turnover (times)	1.21	1.05	1.69	1.29	0.87	-
Profitability	Total assets turnover (times)	0.59	0.50	0.82	0.65	0.45	-
	ROA (%)	4.07	1.86	5.72	3.26	0.45	-
	ROE (%)	8.14	3.34	12.24	6.18	(0.59)	-
	Income before tax to paid-in capital ratio (%)	21.79	7.56	33.34	15.65	(1.71)	-
	Net profit margin (%)	6.42	2.89	6.64	4.38	(0.61)	-
Cash flows	EPS (NT\$)	1.75	0.70	2.59	1.37	(0.13)	-
	Cash flow ratio (%)	21.10	16.35	41.54	25.25	26.37	-
	Cash flow adequacy ratio (%)	72.96	65.64	71.57	73.69	87.50	-
	Cash reinvestment ratio (%)	3.97	2.72	8.60	4.56	4.98	-
Leverage	Operating leverage	2.07	9.43	2.16	2.78	(17.19)	-
	Financial leverage	1.12	2.03	1.06	1.32	0.44	-
Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required):							
<ol style="list-style-type: none"> 1. Increase of quick ratio: Caused by Increase of Current ratio and inventory reduction. 2. Decrease of Times interest earned ratio: Caused by YoY decrease of profit before tax. 3. Decrease of inventory turnover and PPE turnover and Total assets turnover, increase of average days to sell inventory, and total asset turnover: Due to reduced revenue and slow inventory digestion, all operating capabilities have declined. 4. Decreased profitability: YoY decline of profitability caused by diminishing revenues and dropping gross margins. 5. Increase in cash flow adequacy ratio: Due to capital expenditures, cash dividends and inventory increases both decreased. 6. Increase in DFL (degree of financial leverage): Caused by operating loss. 							

Note 1: The financial statements for 2019 to 2023 have been audited and attested by a CPA.

Note 2: The financial statement for Q1 2024 has not yet been disclosed since it has not been reviewed by a CPA

Note 3: The following calculation formulas should be provided at the bottom of this table

1. Financial structure
 - (1) Debt to assets ratio = Total liabilities / total assets.
 - (2) Long-term funds to PPE ratio = (Total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = Current assets / current liabilities
 - (2) Quick ratio = (Current assets-inventory-prepayment) / current liabilities
 - (3) Times interest earned ratio = Earnings before interest and tax / interest expenses for the period.
3. Utility
 - (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average accounts receivable for each period (including accounts receivable and notes receivable arising from business operations)) balance.
 - (2) Average cash collection days = 365 / receivables turnover ratio.
 - (3) Average sales days = 365 / inventory turnover ratio.
 - (4) Payable (including accounts payable and notes payable arising from business operations) turnover rate = cost of goods sold/balance of average accounts payable (including accounts payable and notes payable arising from business operations).
 - (5) Average sales days = 365 / inventory turnover ratio.
 - (6) PPE turnover= Net sales / average net PPE.
 - (7) Total asset turnover ratio = Net sales / average total assets.
4. Profitability
 - (1) ROA = [Profit and loss after tax + Interest expense × (1- tax rate)] / average total assets.
 - (2) ROE = Profit and loss after tax / average net equity
 - (3) Net profit margin = Profit and loss after tax / net sales.
 - (4) Earnings Per Share = (profit after tax – dividends from preferred shares) / weighted average number of outstanding shares. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross of property, plant and equipment + long-term investment+other non-current assets+working capital). (Note 5)
6. Leverage:
 - (1) DOL = (Net operating revenue-changes in operating costs and expenses) / operating income (Note 6)
 - (2) DFL = Operating income / (operating income-interest expenses).

Note 4: The following shall be considered in assessing the equation Earnings Per Share as aforementioned:

 1. Based on weighted average quantity of common stock, not the outstanding shares as of the end of the year.
 2. If there is a cash capital increase or treasury stock transaction, the circulation period should be considered for weighted-average stock calculation.
 3. In case of capitalization of earnings or cash reserves, the annual or semiannual earnings per share must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.
 4. If the preferred stock is non-convertible cumulative preferred stock, the dividend for the year (irrespective of whether the dividend is paid or not) should be deducted from the profit after tax or added to the loss after tax. If

preference shares were non-cumulative, the preference shares dividends must be deducted from after tax net profit; no adjustment is required from after tax net loss.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Cash Flow Statement.
2. Capital expenditure refers to the cash outflow caused by annual capital investments.
3. The increase in inventory is included only when the balance at the ending is greater than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash dividends encompass cash dividends for common and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment prior to deduction of cumulative depreciation.

Note 6: The issuer should classify the operating costs and expenses as fixed and variable by nature. If any estimation or judgment is involved, attention should be paid to the reasonableness and consistency.

III. Audit report issued by the Audit Committee for the most recent year's financial statement

Toung Loong Textile MFG. Co., Ltd.
Audit report issued by the Audit Committee

The Board of Directors has prepared and submitted the 2023 Business Report, Parent Company Only and Consolidated Financial Statements, and Earnings Distribution Proposal for the Company. These Parent Company Only and Consolidated Financial Statements have been audited by Chang Wei-Cheng, Hsieh Wan-Li from PwC Taiwan. An audit report has been issued upon completion of audit operations. The aforementioned Business Report, Parent Company Only and Consolidated Financial Statements, and Earnings Distribution Proposal have also been reviewed by the Audit Committee. Since no non-conformities were detected in this review, said documents were respectfully submitted for examination pursuant to the provisions set forth in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2024 General Shareholders' Meeting of Toung Loong Textile MFG. Co., Ltd.

Toung Loong Textile MFG. Co., Ltd.

Audit Committee convener: Hsueh-Tao Wu

March 13, 2024

IV. Financial statement for the most recent fiscal year and related footnotes

Declaration

In 2023 (from January 1, 2023 to December 31, 2023), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the consolidated financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of consolidated financial statements of affiliated companies.

Declared by

Company name: Toung Loong Textile MFG. Co., Ltd.

Representative: Chih-Chen Yu

March 13, 2024

CPA Audit Report

(2023) Shi-Shen No. 011

To: Toung Loong Textile MFG. Co., Ltd.

Audit opinions

We have reviewed the Consolidated Balance Sheet as of December 31, 2023 and 2022, as well as the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and the notes to the Consolidated Financial Report (including the summary of material accounting policies) for the years ended December 31, 2023 and 2022 for Toung Loong Textile MFG. Co., Ltd. and its subsidiaries.

In our opinion, based on our audit result and the audit reports presented by other accountants (please refer to additional information section), all the material items prepared in these consolidated financial reports are according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations, and interpretation announcements recognized and promulgated by the Financial Supervisory Commission (FSC). Therefore, they can properly express the consolidated financial status of Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries as of December 31, 2023 and 2022, and the consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022.

Basis for Opinion

We were engaged to plan and conduct the audit according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The personnel of this CPA's accounting firm subject to independence has remained detached and independent from Toung Loong Textile MFG. Co., Ltd. and its subsidiaries according to the Code of Professional Ethics for CPAs to perform other responsibilities provided by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters refer to the most critical matters in the consolidated financial report audit of Toung Loong Textile MFG. Co., Ltd. and its subsidiaries for 2023, according to the

professional judgment of the CPA. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This CPA determined that the key audit matters that must be presented in the audit report are as follows:

Acquisition audit of property, plant and equipment

Please refer to Note 4 (10) of the Consolidated Financial Report for property, plant, and equipment accounting policies. Please refer to Note 6 (5) of the Consolidated Financial Report for property, plant, and equipment accounting items descriptions.

Explanation of key audit matters:

As of December 31, 2023, the property, plant and equipment of Toung Loong Textile MFG Co., Ltd. and its subsidiaries totaled NT\$3,021,886 thousand, accounting for 52% of total assets in the consolidated financial statements. Due to large amount of capital expenditure on property, plant and equipment, the acquisition of property, plant and equipment is considered as key audit matters.

Key audit procedures included:

1. Evaluate and test the performance of the increased transaction-related internal control system for property, plant, and equipment.
2. Sample and check pertinent purchase orders, invoices, etc., to ensure the transactions were correctly approved and the correct amounts recorded.
3. Sample and check the acceptance reports to ensure that the assets are ready for use and whether the timing of asset recognition in the general inventory is appropriate.
4. Sample and conduct on-site inventory of property, plant and equipment at the end of the period to ensure the existence of the purchased assets.

Other Matters

The financial reports of some subsidiaries included in the consolidated financial report of Toung Loong Textile MFG. Co., Ltd. and its subsidiaries have not been inspected by our CPAs and were audited by other CPAs. Therefore, in our opinion on the consolidated financial report, the amount listed in the preceding subsidiaries' financial report is based on the audit report of other CPAs. The total assets as of December 31, 2023 and 2022, were NT\$271,199 thousand and NT\$258,513 thousand, accounting for 4.65% and 4.32% of the total consolidated assets,

respectively. The net operating income in 2023 and 2022 were NT\$215,014 thousand and NT\$266,073 thousand, accounting for 7.63% and 6.49% of the consolidated net operating income, respectively. In addition, the "reinvestment-related information" disclosed in Note 13 (2) of the Consolidated Financial Report was compiled based on the subsidiaries' financial report based on other auditors' reports.

Toung Loong Textile MFG. Co., Ltd. has prepared the Parent Company Only Financial Statements for 2023 and 2022. We have issued an audit report with unqualified opinions and other sections on record for reference.

Management Level and Governing Units' Responsibilities for Consolidated Financial Report

Management is responsible for the preparation and fair presentation of the consolidated financial statements according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC, and SIC recognized and promulgated by the FSC and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The responsibilities of the management level during the formulation of the Consolidated Financial Report include evaluating Toung Loong Textile MFG. and its subsidiaries' ability to continue its operations, disclosure of the relevant matters, and adopting the accounting basis for continual operation unless the management level intends to liquidate Toung Loong Textile MFG. and its subsidiaries, stop its operations, or there is no other practical option except settlement or liquidation.

The governance units (including the Audit Committee) of Toung Loong Textile MFG. Co., Ltd. and its subsidiaries are responsible for supervising the financial reporting process.

CPA's Consolidated Financial Report Audit Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable certainty means a high degree of certainty. However, audits performed under auditing standards cannot guarantee that a material misrepresentation in the consolidated financial report can be detected. Misstatements can arise from fraud or error. Misstatements 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 the consolidated financial statements.

This CPA has exercised professional judgment and skepticism when conducting audits under the auditing standards. We also:

1. Identify and assess the risks of material misstatement of the Consolidated Financial Report, 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. The CPA must understand the organization's internal control unit being audited to design the appropriate audit procedure under the circumstances. The objective is not to express an opinion on the effectiveness of the internal control unit for Toung Loong Textile MFG. Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of the accounting policies adopted by the management level, the rationality of its accounting estimates, and the relevant disclosures.
4. Determine the appropriateness of management's ongoing use of its accounting policies and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may cast significant doubt or concern on the ability of Toung Loong Textile MFG. Co., Ltd. and its shareholdings to continue. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead Toung Loong Textile MFG. Co., Ltd. and its subsidiaries to become unable to continue to operate.
5. Evaluate the consolidated financial report's overall presentation, structure, and content (including related notes) and assess whether the consolidated financial report can properly represent the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence for Toung Loong Textile MFG. Co., Ltd. and its subsidiaries' individual financial information to express an opinion on its consolidated financial report. The CPA is responsible for the guidance, supervision, and execution of the audit case and for forming the audit opinion of Toung Loong Textile MFG. Co., Ltd. and its subsidiaries.

We communicated 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 identified during our audit).

The CPA has also provided the governance unit with a declaration stating that the personnel of the CPA's accounting firm who are subject to independence have complied with the independence requirements of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China and communicated all relationships and other matters (including security related aspects) that may be considered to affect the accountant's independence with the governance unit.

The matters communicated between the CPA and the governance unit comprised key audit items for the audit of Toung Loong Textile MFG. Co., Ltd. and its subsidiaries' 2023 consolidated financial report. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

TOPPEST CPAS & CO.,

CPA: Wei-Cheng Chang

CPA Wan-Li Hsieh

Financial Supervisory Commission Approval

Jin-Guan-Zheng-Shen-Zi No. 1050037432

Financial Supervisory Commission
Approval

Jin-Guan-Zheng-Shen-Zi No.
1050037432

March 13, 2024

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries

Consolidated Balance Sheet (I)

December 31, 2023 and 2022

Unit: Amounts expressed
in thousands of New
Taiwan Dollars

Assets		Note	2023/12/31		2022/12/31	
			Amount	%	Amount	%
Current asset						
1100	Cash and cash equivalents	4, 6(1)	\$ 700,623	12	\$ 636,125	11
1136	Financial assets at amortized cost - Current	4	48,298	1	31,079	1
1150	Net value of notes receivable	6, 6(2)	5,236	-	2,669	-
1170	Net value of accounts receivable	6, 6(2)	265,784	5	266,126	4
1200	Other receivables	4, 6(3)	6,954	-	6,040	-
1220	Current tax assets	4	1,681	-	5	-
1310	Net inventory	4, 5(1), 6(4)	1,340,527	23	1,554,335	26
1410	Prepayments		20,999	-	11,944	-
1476	Other financial assets - current	4	89,194	2	37,343	1
	Total current asset		2,479,296	43	2,545,666	43
non-current assets						
1510	Financial assets at FVTPL	4	-	-	-	-
1517	Financial assets at fair value through other comprehensive income- non-current	4	90,603	1	104,604	2
1535	Non-current financial assets at amortized cost	4	79,127	1	79,140	1
1550	Investment accounted for using the equity method	4	4,466	-	13,504	-
1600	Property, Plant and Equipment	4, 5(2), 6(5), 8, 9	3,021,886	52	3,006,344	50
1755	Right-of-use asset	4, 6(6), 8	33,763	1	26,293	-
1760	Net Investment Property	4	33,008	1	33,382	1
1780	Intangible Assets	4	936	-	1,981	-
1840	Deferred tax assets	4, 5(3), 6(13)	39,867	1	34,302	1
1915	Prepayments for business facilities	9	8,385	-	103,423	2
1920	Refundable deposits		18,892	-	19,397	-
1990	Other noncurrent assets - others		18,100	-	14,957	-
	Total non-current asset		3,349,033	57	3,437,327	57
1XXX	Total assets		\$ 5,828,329	100	\$ 5,982,993	100

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries

Consolidated Balance Sheet (II)

December 31, 2023 and 2022

Unit: Amounts expressed
in thousands of New
Taiwan Dollars

Liabilities and Shareholders' Equity		Note	2023/12/31 Amount	%	2022/12/31 Amount	%
Current liabilities						
2100	Short-term borrowings	6(7), 8	\$ 1,112,386	19	\$ 1,379,184	23
2110	Short-term notes and bills payable	6(7), 8	99,968	2	79,808	1
2150	Notes payable		83,976	1	47,914	1
2170	Accounts payable		189,321	3	170,299	3
2200	Other payables		94,428	2	157,705	3
2230	Current income tax liabilities	4, 6(13)	1,578	-	44,030	1
2280	Lease liabilities - Current	4, 6(6)	10,852	-	6,174	-
2320	Long-term liabilities due within 1 year	6(7), 8	264,722	5	114,053	2
2399	Other current liabilities - Others		2,741	-	4,389	-
	Total current liabilities		1,859,972	32	2,003,556	34
non-current liabilities						
2540	Long-term borrowings	6 (6), 8	1,217,850	21	1,109,995	18
2571	Deferred income tax liabilities - land appreciation tax	4	28,591	-	28,591	-
2572	Deferred income tax liabilities - income tax	4, 5(3), 6(13)	41,648	1	42,300	1
2580	Lease liabilities - Non-current	4, 6(6)	10,112	-	6,289	-
2640	Net defined benefit liabilities - noncurrent	4, 5(4), 6(8)	1,053	-	877	-
2645	Deposits received		193	-	193	-
	Total non-current liabilities		1,299,447	22	1,188,245	19
2XXX	Total Liabilities		3,159,419	54	3,191,801	53
Equity attributable to the parent company		6(9)				
3100	Capital stock		1,226,920	21	1,226,920	21
3200	Additional paid-in capital		167,271	3	167,271	3
3300	Retained earnings	4				
3310	Statutory reserves		591,824	10	575,067	10
3320	Special reserves		40,183	1	70,101	1
3350	Undistributed earnings		646,348	11	734,979	12
3400	Other equities	4	(57,948)	(1)	(40,183)	(1)
	Total equity of the parent company		2,614,598	45	2,734,155	46
36XX	Non-controlling interest	6(9)	54,312	1	57,037	1
3XXX	Total equity		2,668,910	46	2,791,192	47
1XXX	Total liabilities and equities		\$ 5,828,329	100	\$ 5,982,993	100

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

Unit: Amounts
expressed in thousands
of New Taiwan Dollars
(Earnings Per Share is in NTD)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating income	4, 6(10)	\$ 2,818,246	100	\$ 4,099,883	100
5000	Operating costs	6(4)	(2,646,635)	(94)	(3,659,299)	(89)
5900	Gross profit		171,611	6	440,584	11
	Operating expenses	6(11), 7				
6100	Selling expenses		(78,431)	(2)	(99,778)	(2)
6200	Administrative expenses		(91,112)	(3)	(112,523)	(4)
6300	Research and development expenses		(15,007)	(1)	(15,166)	-
6450	Expected loss (profit) on credit impairment	4, 6(2)(3)	3,631	-	(52,543)	(1)
	S		(180,919)	(6)	(280,010)	(7)
6900	Net operating income (loss)		(9,308)	-	160,574	4
	Non-operating income and expense					
7100	Interest revenue	4	20,230	1	10,786	-
7110	Rental income	4, 7	3,613	-	3,575	-
7130	Dividend income	4	2,580	-	10,458	-
7190	Other income	4	21,505	1	32,985	1
7210	Gains on disposals of property, plant and equipment	4	28	-	-	-
7225	Gains on disposals of investments		-	-	-	-
7230	Net gain on foreign exchange	4	1,394	-	39,358	1
7370	using equity method	4	-	-	-	-
7510	Interest expenses		(43,000)	(2)	(29,341)	(1)
7590	Miscellaneous expenses		(496)	-	(7,430)	-
7610	Losses from Disposal of Property, Plant and Equipment	4	-	-	(4,182)	-
7630	Foreign currency conversion loss		-	-	-	-
7635	Losses on financial assets at FVTPL	4	-	-	(2,124)	-
7770	using the equity method	4	(9,140)	-	(8,912)	-
	S Subtotal of non-operating incomes and expenses		(3,286)	-	45,173	1
7900	Profit (loss) before tax		(12,594)	-	205,747	5
7950	Income tax benefit (expense)	4, 6(13)	442	-	(33,447)	(1)
8200	Net income (loss)		(12,152)	-	172,300	4
	Other comprehensive income	6(12)				
	Items not reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit programs	6(8)	389	-	6,168	-
8316	Unrealized equity instrument profit or loss measured at fair value through other comprehensive income		(14,000)	(1)	9,764	-
8349	Income taxes related to the items not re-classified	6(12)	(78)	-	(1,233)	-
	Subtotal of items not subsequently reclassified to income		(13,689)	(1)	14,699	-
	Items that may be reclassified subsequently to profit or loss					
8361	statements of foreign operations	4	(6,440)	-	22,786	1
8399	Income tax related to items that may be reclassified	6(12)	1,019	-	(3,805)	-
	income		(5,421)	-	18,981	1
	after tax)		(19,110)	(1)	33,680	1
8500	Total comprehensive income in the current period		\$ (31,262)	(1)	\$ 205,980	5
	Net income attributable to:					
8610	Owners of the parent company		\$ (15,908)	-	\$ 167,570	4
8620	Non-controlling interest		3,756	-	4,730	-
	Total		\$ (12,152)	-	\$ 172,300	4
	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ (33,673)	(1)	\$ 197,488	5
8720	Non-controlling interest		2,411	-	8,492	-
	Total		\$ (31,262)	(1)	\$ 205,980	5
	Earnings per Share	6(14)				
9750	Basic earnings (losses) per share		\$ (0.13)		\$ 1.37	

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

For the Years Ended December 31, 2023 and 2022

Other items of equity

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 20

Chairman: Chih-Chen Yu
Manager: Rong-Lih Yu
Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries

Consolidated Cash Flow Statement

For the Years Ended December 31, 2023 and 2022

expressed in thousands
of New Taiwan Dollars

Item	2023	2022
Cash flows from operating activities:		
Profit (loss) before tax for the period	\$ (12,594)	\$ 205,747
Adjustment items:		
Revenue expense items that do not affect cash flow		
depreciation expense	350,762	348,615
Amortization cost	4,824	8,921
Anticipated credit impairment loss (profit) amount	(3,631)	52,543
Losses (gains) on financial assets at FVTPL	-	2,124
Interest expenses	43,000	29,341
Interest revenue	(20,230)	(10,786)
Dividend income	(2,580)	(10,458)
Shares of losses (gains) of associates accounted for using the equity method	9,140	8,912
Losses (profits) from disposal and scrapping of property, plant, and equipment	(28)	4,182
Assets related to business activities / changes in liabilities		
Decrease (Increase) of notes receivable	(2,567)	32,780
Accounts receivable (increase) decrease	3,973	287,431
Decrease (Increase) of other receivables	(779)	(3,994)
Inventory (increase) decrease	213,809	(231,181)
Prepayments (increase) decrease	(9,055)	67,999
Increase (decrease) of notes receivables	36,062	18,324
Increase (decrease) of accounts receivables	19,023	(154,116)
Increase (decrease) of other receivables	(62,899)	(25,187)
Increase (decrease) of other current liabilities	(1,648)	2,121
Increase (decrease) of net defined benefit liabilities	565	399
Cash in(out)-flows generated by business operation	565,147	633,717
Interest received	20,095	10,577
Dividends received	2,580	10,458
Interest paid	(42,544)	(28,345)
Income tax paid	(48,962)	(84,694)
Net cash inflow (outflow) from operating activities	496,316 #	541,713

(Continued next page)

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Consolidated Cash Flow Statement
For the Years Ended December 31, 2023 and 2022

(Previous Page)

Item	2023	2022
Cash flows from investing activities:		
(Increase) decrease in financial assets at FVTOCI	-	(767)
(Increase) decrease in held-to-maturity financial assets	-	-
(Increase) decrease in financial assets measured at amortized cost	(17,206)	(35,268)
(Increase) decrease of financial assets at FVTPL	-	7,928
(Increase) decrease in other financial assets	(51,851)	29,397
Disposal of financial assets measured by cost	-	-
Proceeds from disposal of investments accounted for using equity method	-	-
Acquisition of property, plant and equipment	(356,007)	(474,673)
Disposal of property, plant and equipment	28	240
(Increase) decrease of prepayments for equipment	95,038	(50,130)
(Increase) decrease in refundable deposits	505	(2,239)
Acquisition of Intangible Assets	(185)	(479)
(Increase) decrease in the other noncurrent assets	(6,772)	(2,849)
Net cash inflow (outflow) from investing activities	(336,450)	(528,840)
Cash flows from financing activities		
(Increase) decrease in short-term borrowings	(266,798)	419,213
(Increase) decrease in short-term notes payable	20,159	(180,130)
Borrowing (repaying) long-term loans	258,524	(100,038)
Cash dividends paid	(85,884)	(156,372)
Change in non-controlling interests	(5,136)	(6,395)
Repaid principal of lease	(10,690)	(5,385)
Net cash inflow (outflow) from financing activities	(89,825)	(29,107)
Effect of exchange rate changes on cash and cash equivalents	(5,543)	14,065
Net increase (decrease) in cash and equivalent cash for the current period	64,498	(2,169)
Cash and cash equivalents at the beginning of the year	636,125	638,294
Cash and cash equivalents at the end of the year	\$ 700,623	\$ 636,125

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts are in NTD thousand unless otherwise specified)

I. Company History

Toung Loong Textile MFG. Co., Ltd. (hereafter "Toung Loong") was established on August 14, 1961, according to the Company Act of the Republic of China. Its business operations include:

- (I) Manufacturing, sale, and wholesale of man-made fiber sewing thread and weaving yarn
- (II) Manufacturing and distribution of hybrid thread consisting of different types of cotton, wool, hemp thread, and artificial silk
- (III) Manufacturing and distribution of thread textiles
- (IV) Weaving, manufacturing, and processing of various fiber threads and fiber textiles
- (V) Import and export trading of timber (logs)
- (VI) Import and export affairs related to the aforementioned business.

Toung Loong's shares were listed on Taipei Exchange for trading on May 9, 1996.

The composition of this Consolidated Financial Report includes this Company and its subsidiaries (hereafter "Consolidated Company").

This Consolidated Financial Report is expressed in NTD, Toung Loong's functional currency.

II. Financial report approval date and procedure.

The Consolidated Financial Report was approved at the board meeting on March 13, 2024.

III. Application of New and Amended Standards and Interpretations

- (I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC), and the statements of interpretation (SIC) (hereafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (FSC) is applied for the first time.

Applying the IFRSs recognized and issued by the FSC will not cause major changes in the Company's accounting policies.

(II) Applicable IFRSs recognized by the FSC in 2024

New, Revised or Amended Standards and Interpretations		Effective Date Announced by IASB
Amendments to IFRS No. 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS No. 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS No. 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement	January 1, 2024

As of the release date of this Consolidated Financial Report, the Consolidated Company has assessed that the amendments to the preceding standards and interpretations did not significantly impact the consolidated financial status and performance of the Consolidated Company.

(III) The IFRSs issued by the IASB but not yet approved by the FSC.

New, Revised or Amended Standards and Interpretations		Effective Date Announced by IASB
Amendments to IFRS No 10 and IAS No. 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates	To be determined by IASB
IFRS No. 17	Insurance Contracts	January 1, 2023
Amendments to IFRS No. 17	Insurance Contracts	January 1, 2023
Amendments to IFRS No. 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 release date of this Consolidated Financial Report, the Consolidated Company has continued to assess the impact of the preceding standards and interpretations on the Consolidated Company's consolidated financial conditions and performance, and the relevant impact shall be disclosed when the assessment is completed.

IV. Summary of Significant Accounting Policies

A summary of the major accounting policies adopted for this Consolidated Financial Report is as follows:

(I) Statement of Compliance

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

This Consolidated Financial Report has been prepared according to the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the IFRSs approved and issued by the FSC.

(II) Basis of Preparation

This Consolidated Financial Report has been prepared on a historical cost basis except for the financial instruments measured at fair value. The net defined benefit liabilities recognized at the present value of defined benefit obligations are less the fair value of planned assets. Historical cost is usually determined based on the fair value of the consideration paid to acquire the asset.

(III) Basis of consolidation

This Consolidated Financial Report contains the financial statements of Toung Loong and its controlling entities (or subsidiaries). Control refers to Toung Loong's power to direct the entities' financial and operating policies to obtain benefits from their activities.

The financial statements of subsidiaries have been adjusted appropriately to bring their accounting policies into conformance with those used by consolidated companies. The major transactions, balances, and gains or losses between the consolidated entities of the Consolidated Company have been fully eliminated at the time of consolidation.

The detailed information on Toung Loong's subsidiaries is as follows:

Investor	Company Name	Main operations	Establishment and operating location	Interest held
				% December 31, 2023 and December 31, 2022
Toung Loong Textile MFG.	Sarah Global Co., Ltd. (Hereafter "Sarah Global")	Wholesale and retail of cloths, textiles, and threads	Taiwan	100.00%
Toung Loong Textile MFG.	Sarah International Co., Ltd (Sarah International Co., Ltd) (Hereafter "Binh Chuẩn Company")	Manufacturing of weaving yarn	Vietnam	100.00%
Toung Loong Textile MFG.	Sun Beam Global Enterprise CO., Ltd (Hereafter "Sun Beam Global")	General commerce	The British Virgin Islands	100.00%
Toung Loong Textile MFG.	Toung Loong Textile MFG. (Vietnam) (Hereafter "Viet Huong Company")	Manufacturing of weaving yarn	Vietnam	66.67%
Toung Loong Textile MFG.	Lung Hsiang Hsing INT'L Co. (Hereafter "Lung Hsiang Hsing")	International Trade	Taiwan	66.67%

The financial reports of some of the subsidiaries listed above in the

Consolidated Financial Report, Bình Chuẩn Company and Viet Huong Company, were checked by other accountants. The total assets of these subsidiaries as of December 31, 2023 and 2022, were NT\$271,199 thousand and NT\$258,513 thousand, which accounted for 4.65% and 4.32% of the total consolidated assets, respectively. The net operating incomes in 2023 and 2022 were NT\$215,014 thousand and NT\$266,073 thousand, which accounted for 7.63% and 6.49% of the consolidated net operating income, respectively.

(IV) Foreign currency

The individual financial reports of each consolidated entity were prepared and expressed in the entity's functional currency. When preparing the Consolidated Financial Report, each consolidated entity's operating results and financial status were converted into NTD.

For transactions in currencies other than the functional currency (foreign currency), when preparing the individual financial reports of each consolidated entity, the original recognition is recorded in the functional currency based on the exchange rate on the transaction date.

At the end of each reporting period, foreign currency monetary items are retranslated at the closing exchange rate on that day. The resulting exchange difference is listed as current income.

Foreign currency non-monetary items measured by fair value are reconverted at the exchange rate when the fair value is determined. The resulting exchange difference is listed as current income. If the change in fair value is listed as other comprehensive income, the resulting exchange difference is listed as other comprehensive income.

Non-monetary items carried at historical cost is reported using the exchange rate at the date of the transaction and will not calculated again.

When preparing this Consolidated Financial Report, the assets and liabilities of Toung Loong's foreign operating institutions are converted into NTD at the closing exchange rate on the end date of each reporting period. Income and expense items are converted at the current average exchange rate. The resulting exchange differences are recognized as other comprehensive income and accumulated in the exchange differences in equity during currency conversions for foreign operating institutions' financial reports (and appropriately allocated to non-controlling interests).

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

Current assets include cash and cash equivalents (except that there are restrictions on exchanging the assets or using them to settle liabilities within 12 months after the reporting period); assets held mainly for trading purposes; and assets expected to be realized within 12 months of the reporting period or assets expected to be realized, sold, or consumed during the normal business cycle. Assets that are not current assets are non-current.

Current liabilities include liabilities held primarily for trading purposes,

liabilities that are expected to be due and settled within 12 months after the reporting period, liabilities that are expected to be settled in its normal business cycle, and liabilities for which settlement cannot be unconditionally deferred for at least 12 months after the reporting period. Liabilities that are not current liabilities are non-current.

(VI) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank demand deposits, and short-term as well as highly liquid investment items that can be converted into fixed cash at any time with little risk of value change.

(VII) Financial instrument

Financial assets and liabilities are recognized when the Consolidated Companies become a party to the contractual provisions of the instrument.

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

1. Measurement Types

When purchasing or selling financial assets according to customary transactions, the accounting treatment for derivative products shall be conducted on the delivery date, and the accounting treatment for other financial assets shall be conducted on the transaction date.

The Consolidated Company's holding of financial assets is measured at FVTPL, financial assets are measured at amortized cost, and equity investments are measured at FVTOCI.

(1) Financial assets measured at FVTPL

Financial assets measured at FVTPL include those mandatorily measured at FVTPL and those designated to be measured at FVTPL. Financial assets measured at FVTPL include investments in equity instruments not designated by the Consolidated Company as measured at FVTOCI and investments in debt instruments not classified as measured at amortized cost or FVTOCI.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement (including any dividends or interest earned on the financial assets) shall be recognized as income. Please refer to Note 12 (1) of the Consolidated Financial Report for details on the fair value determination method.

(2) Financial Assets Measured at Amortized Cost

When the financial assets invested by the Group satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

- A. The financial assets are held within a business model whose objective is to collect the contractual cash flows; and
- B. The contractual terms of equity instruments give rise on specified dates to cash flows that are solely principal payments and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at an amortized cost equal to the net gross carrying amount determined using the effective interest method, less impairment loss. Any foreign exchange gains or losses arising therefrom are recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of the effective interest rate times the gross carrying amount of financial assets:

- A. For purchased or originated credit-impaired financial assets, interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- B. For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance of such financial assets.

(3) Investments in equity instruments measured at FVTOCI.

On initial recognition, the Group may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Group's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

2. Financial Asset Impairment

The Consolidated Companies have assessed impairment losses on financial assets (including accounts receivable) measured at amortized cost at each balance sheet date based on expected credit losses.

A loss allowance for accounts and lease receivables is provided based on their full lifetime expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

3. Derecognition of Financial Assets

Financial assets held by the Consolidated Company are derecognized when one of the following conditions is met:

- (1) Contractual rights from the cash flow of financial assets have lapsed.
- (2) A financial asset is transferred, and ownership's risks and rewards are substantially transferred to another person.
- (3) Substantially, all the risks and rewards of asset ownership are neither transferred nor retained, but the control of the asset is transferred.

When a financial asset is fully derecognized, the difference between its book value and the sum of the consideration receivable or received plus any accumulated income recognized in other comprehensive profit or loss shall be recognized as income.

Suppose the transferred asset is part of a larger financial asset, and the transferred part qualifies as fully derecognized. In that case, the Consolidated Company shall apportion the original book value of the financial asset and the accumulated gains or losses recognized in other comprehensive income to each of these parts based on the relative fair value of the continuously recognized part and the derecognized part on the date of transfer. The difference between the carrying amount allocated to the derecognized component and the sum of the consideration received for the component plus any cumulative gain or loss allocated to the derecognized component recognized in other consolidated income is recognized as income.

4. Financial Liabilities

(1) Classification and Subsequent Evaluation

The Consolidated Company classifies its issuance of liabilities and financial instruments as financial liabilities or equities according to the definition of financial liabilities and equity instruments, as well as the contractual substance.

Financial liabilities measured at amortized cost, including payables

and loans, are subsequently measured using the effective interest rate method after original recognition. When a financial liability is derecognized and amortized through the effective interest rate method, its related income and amortization amount is recognized in income.

The calculation of amortized cost shall consider the discount or premium at the time of acquisition and transaction costs.

(2) Derecognition of Financial Liabilities

When the obligations of financial liabilities are discharged, canceled, or expire, the financial liabilities are derecognized.

When the Consolidated Company and the creditor exchange debt instruments with materially different terms or make major changes to all or part of the terms of existing financial liabilities (whether due to financial difficulties or not), it shall be handled by derecognizing the original liabilities and recognizing the new liabilities. When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including transferred non-cash assets or assumed liabilities) shall be recognized in income.

(VIII) Inventories

Inventories include raw materials, supplies, finished goods, and work in progress. Inventories are recorded based on acquisition costs, and the cost carry-forwards are calculated using the monthly weighted average method.

Inventories are evaluated at a lower cost and net realizable value. The cost and net realizable value comparison are based on individual items except for inventories of the same category. Net realizable value refers to the estimated selling price under normal circumstances after deducting the estimated costs to be invested in completion and sales expenses.

(IX) Investments Accounted for Using the Equity Method

Investments accounted for using the equity method include investments in associated enterprises and joint ventures. Associated enterprises are those over which the Consolidated Companies have significant influence but are not subsidiaries or joint venture interests.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The Company also recognizes its share in the changes in equities of associates.

When associated enterprises issue new shares and if the Consolidated Company does not subscribe in proportion to its shareholding, resulting in a change in the shareholding ratio and thus an increase or decrease in the net equity value of the investment, the increase or decrease shall adjust the capital reserve and investments using the equity method. If the shareholding ratio is

not subscribed or acquired, resulting in a decrease in the ownership interest in the associated enterprises, the amount related to the associated enterprises recognized in other comprehensive profit or loss is reclassified according to the decrease ratio. The basis of its accounting treatment is the same as that which must be followed if the associated enterprises directly dispose of the relevant assets or liabilities. Suppose the adjustment in the preceding paragraph must be debited to the capital reserve, and the balance of the capital reserve generated by the investment using the equity method is insufficient. In that case, the difference shall be debited to the retained surplus.

When assessing impairment, the Consolidated Company regards the overall carrying amount of the investment (including goodwill) as a single asset comparable to the recoverable amount with the carrying amount to perform impairment testing. The recognized impairment loss is also part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. Income generated from upstream, downstream, and sidestream transactions between the Consolidated Company and affiliated enterprises shall be recognized in the Consolidated Financial Report only to the extent that interests in the affiliated enterprises are unrelated to the Consolidated Company.

(X) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost less than accumulated depreciation and impairment losses. Cost refers to the fair value of the cash, cash equivalent, or other consideration paid for the acquisition or construction of the asset as well as the estimated cost of dismantling and removal. When the useful lives of significant property, plant, and equipment components are different, they are treated as separate items of property, plant, and equipment.

Depreciation is calculated from the asset's cost (or other amount substituted for cost) less its salvage value using the straight-line method over the estimated useful lives of the individual parts of an item of property, plant, and equipment. Assets held under finance leases are depreciated on the same basis as self-owned assets, and are depreciated over their expected useful lives. If the relevant lease period is shorter, depreciation is provided during the lease period.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	3-55 years
Machinery and equipment	2-15 years
Office and other equipment	3-50 years

The estimated useful life, salvage value, and depreciation method are reviewed at the end of the reporting period; any estimated change's impact is treated as an accounting estimate revision.

Costs incurred in replacing a part of an item of property, plant, and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits of that part will flow to the Consolidated Company. The book value of the reset part is then derecognized. Routine maintenance costs of property, plant, and equipment are recognized in income as incurred.

The profit or loss arising from the disposal or scrapping of property, plant, and equipment is determined by the difference between the disposal price and the book value. The net amount shall be recognized as non-operating income and expenses under income.

(XI) Lease

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

1. The Group as the lessor

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

The sublease of right-of-use assets of the Group is classified by reference to right-of-use assets, instead of underlying assets. However, if the main lease is short-term lease applicable to recognition exemption of the Group, such sublease is classified as operating leases.

During lease operations, lease payments are recognized as income on a straight-line basis over the relevant lease term.

2. The Consolidated Companies as the Lessee

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

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, lease payments less the lease incentives received before the commencement date of the lease, original direct costs, and the estimated cost of restoring the underlying asset). It is subsequently measured at the cost less accumulated depreciation and accumulated impairment losses, and the remeasurement amount of the lease liability shall be adjusted. Right-of-use assets are presented separately in the balance sheet.

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.

The lease liability is originally measured at the present value of the lease payments. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be

readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented separately on the Asset Balance Sheet.

Variations in lease agreements that do not depend on an index or rate are recognized as an expense in the period incurred.

(XII) Investment Property

Investment property is held to earn rentals, capital appreciation, or both.

Investment property is initially measured at cost (including transaction costs) and subsequently measured at cost less the accumulated depreciation. The Consolidated Company charges depreciation on a straight-line basis.

When an investment property is derecognized, the difference between the net disposal price and the asset's book value is recognized as income.

(XIII) Intangible Assets

Intangible assets acquired individually with a finite useful life are measured at a cost less than accumulated amortization and impairment losses. The amortization amount is accrued using the straight-line method based on the useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the impact of any estimated change is treated as an accounting estimate revision.

Intangible assets acquired individually with indefinite useful lives are listed at cost less the accumulated impairment losses.

The initial recognition of other intangible assets jointly acquired is measured at the fair value (considered as cost) on the date of acquisition. The subsequent measurement is based on the same basis as the intangible assets acquired individually.

(XIV) Impairment of Tangible and Intangible Assets

The Consolidated Company checks the book value of tangible and intangible assets with a limited useful life at the end of each reporting period to determine whether there is any sign of impairment. If there is any impairment, an impairment test shall be executed to estimate the asset's recoverable amount and determine whether the impairment should be denied. Impairment tests are conducted regularly and annually for intangible assets with no definite lifespan. If it is impossible to estimate the recoverable amount of individual assets, then

estimate the recoverable amount of the cash-generating unit to which the asset belongs. If shared assets can be allocated reasonably and consistently, they shall be allocated to individual cash-generating units. Otherwise, they shall be allocated to the smallest group of cash-generating units reasonably and consistently.

The recoverable amount is the higher fair value, less the disposal cost and value in use. When determining value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks that have not been used to adjust future cash flow estimates.

Suppose the recoverable amount of an asset or cash-generating unit is expected to be lower than the carrying amount. In that case, the carrying amount shall be reduced to its recoverable amount, and the impairment loss shall be recognized immediately in the current loss. If the recoverable amount increases due to changes in the estimate of the recoverable amount in the subsequent period, the book value of the asset or cash-generating unit shall be adjusted to the revised estimated recoverable amount. However, the increased carrying amount must not exceed the amount that would have been recognized had the asset or cash-generating unit not recognized an impairment loss in previous years. The reversed impairment loss must be recognized as the current profit.

(XV) Liability Reserve

When the Consolidated Company has a present obligation (statutory or constructive) due to past events, the obligation must probably be settled. The liability provision is recognized when the obligation amount can be estimated reliably.

The amount recognized as a liability reserve is the best estimate of what will be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the liability reserve is measured as the estimated cash flows to settle the present obligation, its book value is the present value of those cash flows.

(XVI) Termination Benefits

For a defined appropriation plan, the pension amount that must be appropriated during the employee's service period is recognized as current expenses.

The pension cost shall be recognized according to the actuarial results for a retirement plan with defined benefits. The cost of providing benefits is determined using the projected unit benefit method and is actuarially valued at the end of the reporting period. Actuarial income is fully recognized immediately during the period of occurrence and included in other comprehensive income in the consolidated income table.

(XVII) Income tax

Income tax expense includes current and deferred income tax. Items directly recognized in equity or other comprehensive income, current income tax, and deferred income tax shall be recognized in income except for those related to consolidated enterprises.

1. Income tax of the current period

Current income tax shall include the estimated income tax payable or tax rebate receivable calculated at the statutory tax rate or substantive legislative tax rate on the reporting date for the current year's taxable income (loss) and any adjustments to the income tax payable in the previous years.

Income tax on the undistributed earnings calculated according to the Income Tax Act provisions shall be listed as the current income tax in the shareholders meeting resolution year.

2. Deferred income tax

Deferred income tax is measured and recognized based on the temporary differences between the carrying amount of assets and liabilities on the reporting date and their tax bases. Deferred income tax assets shall be recognized when there is likely to be taxable income available to deduct the temporary differences. Deduction of losses or income tax deductions from purchasing machinery and equipment, R&D, and personnel training are recognized when utilized. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

- (1) Non-consolidated enterprise assets or liabilities originally recognized in transactions that do not affect the accounting profit and taxable income (loss) at the time of the transaction.
- (2) Those arising from investment in subsidiaries and affiliated enterprises, which are likely unreversible in the foreseeable future.
- (3) Original recognition of goodwill.

Deferred income tax is measured at the tax rate expected to be realized when the asset is realized, or the liability is settled. It shall be based on the statutory or substantive legislative tax rates at the reporting date. The deferred income tax liability and asset measurement reflect the tax effect produced by how the enterprise expects to recover or pay off the book value of its assets and liabilities on the reporting date.

For unused tax losses and unused income tax credits carried forward later and temporary deductible differences, they are recognized as a deferred income tax asset to the extent that the taxable income is likely to be available for use. It shall be reassessed on each reporting date and adjusted to the extent that the relevant income tax benefits are unlikely to be realized.

Income tax expenses directly recognized in equity items or other

comprehensive profit and loss items are measured at the applicable tax rate when the temporary difference between the carrying amount of the relevant assets and liabilities on the reporting date and their tax base is expected to be realized or liquidated.

(XVIII) Income Recognition

Revenue is measured by the consideration to which goods are transferred and to which they are expected to be entitled. The Consolidated Company shall recognize revenue when the control of goods is transferred to clients to satisfy performance obligations.

1. Merchandise Sales

The Consolidated Company recognizes revenue when product control is transferred to the customer. The transfer of control for the product means that the product has been delivered to the customer, and no outstanding obligations would affect the customer's acceptance of the product. Delivery is when the customer accepts the product according to the transaction conditions, the risk of obsolescence and loss has been transferred to the customer, and the Consolidated Company has objective evidence that all acceptance conditions have been met.

The Consolidated Company recognizes accounts receivable when the goods are delivered because the consolidated companies have an unconditional right to consideration.

2. Labor Income

When the transaction result of the labor services provision can be reasonably estimated, the labor service income is recognized using the percentage-of-completion method. When the transaction result of the labor services provision cannot be reasonably estimated, the revenue is only recognized within the recoverable range of the incurred costs.

3. Financial Components

The Consolidated Company expects that the time interval between the transfer of goods or services to the customer and between the customer's payment for the goods or services shall not exceed one year. Therefore, the Consolidated Company does not adjust the time value of money in the transaction price.

(XIX) Government Grants

The Company can only recognize government grants when it reasonably believes that the conditions attached to the government grants will be followed and the grants will be received according to IAS No. 20 "Accounting for Government Grants and Disclosure of Government Assistance."

Government grants related to assets are recognized as deferred income and current income on a straight-line basis within the expected useful life of the relevant assets. For government grants related to expenses, government grants are recognized as current income systematically when the relevant expenses are

incurred. If the government grant is used to compensate the expenses or losses incurred or provide financial support without future related costs, it is recognized in income during the period in which it can be received.

(XX) Operating Department Report

An operating department is a constituent unit of the Consolidated Company. It engages in business activities that may generate incomes or incur expenses (including incomes or expenses arising from transactions with other constituent units in the enterprise). The operating results of the operating departments are regularly reported to Consolidated Company operating decision makers for review, to make resource allocation decisions, and evaluate departmental performance.

V. Major Sources of Uncertainty in Major Accounting Judgments, Estimates, and Assumptions

The Consolidated Company's Consolidated Financial Report and financial results are affected by accounting policies, assumptions, and estimates. Accounting assumptions and estimates are based on experience and other relevant factors, and the management makes appropriate professional judgments.

The following is information about future assumptions and other major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

(I) Depreciation of Inventories

The net realizable value of inventories is the estimated selling price in the normal course of business minus the estimated cost to complete the project and the estimated cost required to complete the sale. These estimates are evaluated based on current market conditions and historical sales experience of similar products, and changes in market conditions may significantly affect the results of these estimates.

(II) Asset Impairment Assessment

During the asset impairment assessment process, the Consolidated Company must estimate the expected future cash flow generated by a specific asset (asset group) based on the subjective judgment of the asset utilization mode and industry characteristics and determine the appropriate discount rate to calculate the asset's value in use. Any changes in estimates due to changes in economic conditions or corporate strategy could result in significant asset impairment in the future.

(III) Realization of Deferred Income Tax Assets

Deferred income tax assets are recognized only when it is likely that future taxable income will be sufficient to offset deductible timing differences. Assessment of the realizability of deferred income tax assets involves critical

accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax-exempt duration, available tax credits, tax planning, etc. Any changes in the global economy, industry, laws, and regulations might cause material adjustments to deferred income tax assets.

(IV) Calculation of Accrued Pension Liabilities

The Consolidated Company must use judgments and estimates to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and the expected return rate on project assets, when calculating the present value of a defined benefit obligation. Any change in actuarial assumptions may significantly impact the Consolidated Company's defined benefit obligations.

VI. Description for Important Accounting Subjects

(I) Cash and Cash Equivalents

Item	December 31, 2023	December 31, 2022
Cash	\$ 1,683	\$ 1,963
Cash in banks	545,415	513,583
Time deposit	153,525	120,579
Total	<u>\$ 700,623</u>	<u>\$ 636,125</u>

The time deposit's original maturity date is within 3 months and is intended for short-term cash commitment rather than investment or other purposes. It is listed in cash and equivalent cash because it can be converted into fixed cash at any time, and the risk of value change is very low.

(II) Notes Receivable and Net Accounts Receivable

Item	December 31, 2023	December 31, 2022
Total of notes receivable	\$ 5,236	\$ 2,669
Less: Allowance for loss	-	-
Net amount	<u>\$ 5,236</u>	<u>\$ 2,669</u>
Total of accounts receivable	\$ 267,205	\$ 271,178
Less: Allowance for loss	(1,421)	(5,052)
Net amount	<u>\$ 265,784</u>	<u>\$ 266,126</u>

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

1. Notes receivable

The age analysis of notes receivable is as follows:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not Overdue	<u>\$ 5,236</u>	<u>\$ 2,669</u>

2. Accounts Receivable

The consolidated company has no collateral or other credit enhancements and lacks a statutory right of set-off to offset accounts receivable and accounts payable to the same counterparty.

(1) The expected credit loss analysis of accounts receivable is as follows:

To measure expected credit losses over time, the consolidated company adopts a simplified approach to estimate expected credit losses for all accounts receivable. The expected credit loss rate is determined for this purpose by the number of days overdue accounts receivable, which has been included in the prospective information. The expected credit loss analysis of the consolidated company's accounts receivable is as follows:

December 31, 2023

<u>Items</u>	<u>Book amount of accounts receivable</u>	<u>Weighted average of expected credit loss rate</u>	<u>Expected credit losses during the allowance period</u>
Not Overdue	\$ 251,473	0.31%	\$ 792
Overdue			
Less than 30 days	14,920	2.84%	424
31 ~ 60 days	744	20.97%	156
61 ~ 90 days	68	72.06%	49
Over 91 days	-	100.00%	-
Total	<u>\$ 267,205</u>		<u>\$ 1,421</u>

December 31, 2022

<u>Items</u>	<u>Book amount of accounts receivable</u>	<u>Weighted average of expected credit loss rate</u>	<u>Expected credit losses during the allowance period</u>
Not Overdue	\$ 228,420	0.17%	\$ 386
Overdue			
Less than 30 days	37,466	1.80%	674
31 ~ 60 days	1,276	14.18%	181
61 ~ 90 days	405	49.38%	200
Over 91 days	3,611	100.00%	3,611

Young Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Total	<u>\$ 271,178</u>	<u>\$ 5,052</u>
--------------	-------------------	-----------------

(2) Changes in allowance for losses of accounts receivable

<u>Item</u>	<u>2023</u>	<u>2022</u>
Beginning retained earnings	\$ 5,052	\$ 2,680
Recognition of impairment loss (rebound profit)	<u>(3,631)</u>	<u>2,372</u>
Balance on December 31	<u>\$ 1,421</u>	<u>\$ 5,052</u>

(III) Other Receivables

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables	\$ 57,126	\$ 56,212
Less: Allowance for loss	<u>(50,172)</u>	<u>(50,172)</u>
Net amount	<u>\$ 6,954</u>	<u>\$ 6,040</u>

As of both December 31, 2023 and 2022, the advance payment to Nylstar S.L. under other receivables amounted to NT\$50,172 thousand. Due to the company's failure to deliver on time and its subsequent application for bankruptcy to the Spanish government in 2023, the uncertainty of recovery is extremely high. Therefore, 100% expected credit losses were recognized.

(IV) Net Inventory

The relevant details of the consolidated company's recognized inventory costs are as follows:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 124,668	\$ 124,674
Materials	50,372	66,781
Work in progress	361,358	307,734
Finished good	846,711	1,097,443
Commodities	1,810	-
Inventory in transit	<u>-</u>	<u>1,380</u>
Total	1,384,919	1,598,012
Less: Allowance for depreciation losses	<u>(44,392)</u>	<u>(43,677)</u>
Net amount	<u>\$ 1,340,527</u>	<u>\$ 1,554,335</u>

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Item	2023	2022
Cost of inventory sold	\$ 2,645,911	\$ 3,650,194
Inventory valuation decline (reversal gain)	724	9,105
Total	\$ 2,646,635	\$ 3,659,299

(V) Property, Plant, and Equipment

The details of the changes in the cost, depreciation, and impairment loss of the property, plant and equipment of the consolidated company in 2023 and 2022 are as follows:

Item	Land	Buildings	Machinery and equipment	Office and other equipment	Incomplete construction and equipment to be accepted	Total
Cost or recognized cost:						
Balance as of January 1, 2023	\$ 802,879	\$ 1,550,724	\$ 3,948,627	\$ 762,605	\$ 88,484	\$ 7,153,319
Additions	-	-	160,022	32,710	162,713	355,445
Disposal	-	-	(15,492)	(3,341)	-	(18,833)
Effects of changes in foreign exchange rates	-	(1,682)	(3,267)	(673)	-	(5,622)
Reclassification	-	620	-	5,815	(6,435)	-
Balance as of December 31, 2023	\$ 802,879	\$ 1,549,662	\$ 4,089,890	\$ 797,116	\$ 244,762	\$ 7,484,309
Balance as of January 1, 2022	\$ 661,181	\$ 1,549,617	\$ 3,891,017	\$ 749,607	\$ -	\$ 6,851,422
Additions	127,530	-	183,198	71,252	92,693	474,673
Disposal	-	(6,387)	(133,433)	(60,095)	-	(199,915)
Effects of changes in foreign exchange rates	-	4,057	7,845	1,605	-	13,507
Reclassification	14,168	3,437	-	236	(4,209)	13,632
Balance as of December 31, 2022	\$ 802,879	\$ 1,550,724	\$ 3,948,627	\$ 762,605	\$ 88,484	\$ 7,153,319

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Depreciation and impairment loss:

Balance as of January 1, 2023	\$	-	\$ 630,057	\$ 3,003,997	\$ 512,921	\$ -	\$ 4,146,975
Depreciation expense		-	46,518	239,897	52,902	-	339,317
Disposal		-	-	(15,492)	(3,341)	-	(18,833)
Effects of changes in foreign exchange rates		-	(1,408)	(3,031)	(597)	-	(5,036)
Reclassification		-	-	-	-	-	-
Balance as of December 31, 2023	\$	-	\$ 675,167	\$ 3,225,371	\$ 561,885	\$ -	\$ 4,462,423
Balance as of January 1, 2022	\$	-	\$ 585,275	\$ 2,879,891	\$ 523,619	\$ -	\$ 3,988,785
Depreciation expense		-	48,054	246,405	47,909	-	342,368
Disposal		-	(6,387)	(129,056)	(60,050)	-	(195,493)
Effects of changes in foreign exchange rates		-	3,115	6,757	1,443	-	11,315
Reclassification		-	-	-	-	-	-
Balance as of December 31, 2022	\$	-	\$ 630,057	\$ 3,003,997	\$ 512,921	\$ -	\$ 4,146,975
Book value:							
Balance as of December 31, 2023	\$ 802,879	\$ 874,495	\$ 864,519	\$ 235,231	\$ 244,762	\$ 3,021,886	
Balance as of December 31, 2022	\$ 802,879	\$ 920,667	\$ 944,630	\$ 249,684	\$ 88,484	\$ 3,006,344	

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

1. As of December 31, 2023 and 2022, some property, plant, and equipment have been provided to financial institutions as collateral for loans. Please refer to the description for pledged assets in Note 8 of the Consolidated Financial Report.
2. The following are the capitalization details of the consolidated company's interests transferred to property, plant, equipment, and prepaid equipment:

<u>Item</u>	<u>2023</u>	<u>2022</u>
Interest capitalized amount	<u>\$3,071</u>	<u>\$1,878</u>

(VI) Lease Agreements

1. Right-of-use Assets

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 23,979	\$ 13,884
Transportation Equipment	9,784	12,409
Total	<u>\$ 33,763</u>	<u>\$ 26,293</u>
	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	<u>\$ 18,919</u>	<u>\$ 11,744</u>
Depreciation expense of right-of-use assets		
Land	\$ 3,766	\$ 578
Transportation Equipment	7,305	5,310
Total	<u>\$ 11,071</u>	<u>\$ 5,888</u>
Sublease income of right-of-use assets	<u>\$ -</u>	<u>\$ -</u>

2. Lease Liabilities

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	\$ 10,852	\$ 6,174
Non-current	<u>\$ 10,112</u>	<u>\$ 6,289</u>

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

3. Other Lease Information

Items	2023	2022
Interest expenses on lease liabilities	\$ 272	\$ 116
Expenses attributable to short-term lease	\$ 6,703	\$ 12,202
Expenses attributable to low-value assets	\$ 143	\$ 121
Total cash outflow for leases	\$ 18,455	\$ 20,911

(VII) Loans

1. Short-term bank loans

Item	December 31, 2023	December 31, 2022
Procurement loan	\$ 7,027	\$ 37,628
Mortgage loan	580,000	561,556
Credit loans	525,359	780,000
Total	\$ 1,112,386	\$ 1,379,184

The bank loan interest rate is the generally prevailing interest rate of the bank.

2. Short-term notes and bills payable

Item	December 31, 2023	December 31, 2022
Banker's acceptance bill	\$ 100,000	\$ 80,000
Less: Discount on bank acceptance bills payable	(32)	(192)
Total	\$ 99,968	\$ 79,808

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

3. Long-term bank loans and long-term liabilities due within 1 year

December 31, 2023

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
Mega Bank	Mortgage loan	\$ 13,125	2019.07.04		Land and plant	Installment repayments
(Banqiao Branch)			~			
			2024.07.04			
"	"	42,000	2017.06.22		"	"
			~	Floating rate		
			2027.06.22			
Taiwan Cooperative Bank	"	309,180	2020.03.23		"	"
(Puqian Branch)			~			
			2038.03.23			
"	"	144,000	2020.12.31		Machinery and equipment	"
			~			
			2026.12.15			
"	"	99,900	2023.04.14		Land and plant	Repayment due
			~			
			2024.12.31			
"	"	92,676	2023.10.11		"	"
			~			
			2024.12.31			
The Export-Import Bank of R.O.C.	Credit loans	106,667	2020.08.17		None	Installment repayments
			~			
			2026.08.15			
"	"	150,000	2023.01.18		"	"
			~			
			2028.01.18			
Hua Nan Bank	"	45,111	2020.05.15		"	"
(Puqian Branch)			~			
			2026.05.15			
Bank of Taiwan	"	51,556	2020.05.15		"	"
(Huajiang Branch)			~			
			2026.05.15			
Chang Hwa Bank	"	14,667	2020.09.15		"	"
(Wanhua Branch)			~			
			2026.09.15			
"	"	88,000	2020.09.15		"	"
			~			
			2026.09.15			
Mega Bank	"	40,000	2021.02.08		"	"

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
(Banqiao Branch)			~ 2027.01.15			
"	"	85,690	2021.04.20 ~ 2027.04.15		"	"
Taipei Fubon Bank (Zhubei Branch) (Note)	"	200,000	2023.09.05 ~ 2025.05.24		"	Repayment due
Total		1,482,572				
Less: Current portion of long-term borrowings		<u>(264,722)</u>				
Long-term loans due after 1 year		<u><u>\$ 1,217,850</u></u>				

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

December 31, 2022

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
Mega Bank (Banqiao Branch)	Mortgage loan	\$ 30,625	2019.07.04 ~ 2024.07.04		Land and plant	Installment repayments
"	"	54,000	2017.06.22 ~ 2027.06.22	Floating rate	"	"
Chang Hwa Bank (Wanhua Branch)	"	15,680	2018.12.17 ~ 2023.17.12		Machinery and equipment	"
"	"	6,600	2018.12.17 ~ 2023.17.12		None	"
Taiwan Cooperative Bank (Puqian Branch)	"	325,453	2020.03.23 ~ 2038.03.23		Land and plant	"
"	"	144,000	2020.12.31 ~ 2026.12.15		Machinery and equipment	"
The Export-Import Bank of R.O.C.	Credit loans	120,000	2020.08.17 ~ 2026.08.15		None	"
Hua Nan Bank (Puqian Branch)	"	56,000	2020.05.15 ~ 2026.05.15		"	"
Bank of Taiwan (Huajiang Branch)	"	64,000	2020.05.15 ~ 2026.05.15		"	"
Chang Hwa Bank (Wanhua Branch)	"	16,000	2020.09.15 ~ 2026.09.15		"	"
"	"	96,000	2020.09.15 ~ 2026.09.15		"	"
Mega Bank (Banqiao Branch)	"	40,000	2021.02.08 ~ 2027.01.15		"	"
"	"	85,690	2021.04.20		"	"

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
			~ 2027.04.15			
Taipei Fubon Bank (Zhubei Branch) (Note)	"	150,000	2021.08.18 ~ 2024.05.24		"	Repayment due
"		20,000	2022.12.14 ~ 2024.05.24		"	"
Total		1,224,048				
Less: Current portion of long-term borrowings		(114,053)				
Long-term loans due after 1 year		\$ 1,109,995				

Note: Jih Sun Bank merged with Taipei Fubon Bank on April 1, 2023, with Taipei Fubon Bank serving as the surviving bank after the merger.

(VIII) Post-employment Benefit Plan

1. Defined contribution plans

A defined contribution plan is an employee retirement plan established according to the "Labor Pension Act" by the consolidated company Toung Loong Textile MFG. and its subsidiaries in the Republic of China. According to the provisions of this Measure, the Company's monthly pension allocation rate shall not be lower than 6% of the employee's monthly salary.

Bình Chuẩn Company and Viet Huong Company have set aside a certain percentage of total wages for the social security fund and remitted it to the relevant competent authority every month according to the regulations of the Vietnamese local government.

The consolidated company's 2023 and 2022 annual expenses recognized in the Consolidated Statement of Comprehensive Income under this plan were NT\$11,552 thousand and NT\$13,289 thousand, respectively. As of December 31, 2023 and 2022, the due allocation amounts that have not yet been paid to the plan were NT\$903 thousand and NT\$2,191 thousand, respectively. These amounts were paid after the end of the reporting period.

2. Defined Benefit Plans

The consolidated company Toung Loong Textile MFG. has established the employee pension plan according to the "Labor Standards Act" is a defined benefit plan. According to the plan's provisions, employee pensions are calculated based on years of service and the average salary for the 6 months before retirement. Toung Loong Textile MFG.

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

allocates 10% of the total employee salary each month (the allocation has been suspended since 2019), and the employee pension fund is deposited in the Retirement Reserve Fund Supervision Committee's special account at the Bank of Taiwan under the committee's name. As a result, because this retirement reserve is completely independent of Toung Loong Textile MFG., it is not included in the Consolidated Financial Report.

On December 31, 2023, the most recent actuarial evaluation was completed for the current value of plan assets and defined benefit obligations. The estimated unit cost method is used to calculate the present value of defined benefit obligations as well as the relevant current and previous service costs.

(1) The following amount is included in the Consolidated Balance Sheet of Toung Loong Textile MFG.'s obligations arising from the defined benefit plan:

Items	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 74,516	\$ 72,948
Fair value of plan assets	(73,463)	(72,071)
Net defined benefit (asset) liabilities	\$ 1,053	\$ 877

(2) The following is the year's changes in net confirmed liabilities (assets):
2023

Items	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning retained earnings	\$ 72,948	\$ (72,071)	\$ 877
Current service cost	555	-	555
Interest expense (income)	875	(865)	10
Defined benefit costs recognized as income	1,430	(865)	565
Remeasurement amount			
Actuarial income - experience adjustments	114	-	114
Actuarial income - changes in demographic assumptions	-	-	-
Actuarial income - changes in financial assumptions	165	-	165
Return on plan assets	-	(668)	(668)
Defined benefit costs recognized in other comprehensive income	279	(668)	(389)
Benefits paid	(141)	141	-
Balance on December 31	\$ 74,516	\$ (73,463)	\$ 1,053

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

2022

Items	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning retained earnings	\$ 73,502	\$ (66,856)	\$ 6,646
Current service cost	356	-	356
Interest expense (income)	477	(434)	43
Defined benefit costs recognized as income	833	(434)	399
Remeasurement amount			
Actuarial income - experience adjustments	2,177	-	2,177
Actuarial income - changes in demographic assumptions	-	-	-
Actuarial income - changes in financial assumptions	(2,969)	-	(2,969)
Return on plan assets	-	(5,376)	(5,376)
Defined benefit costs recognized in other comprehensive income	(792)	(5,376)	(6,168)
Benefits paid	(595)	595	-
Balance on December 31	\$ 72,948	\$ (72,071)	\$ 877

(3) At the ending date of the report, the percentages of the main categories of plan assets are listed as follows:

Items	Fair value of plan assets(%)	
	December 31, 2023	December 31, 2022
Cash	16	16
Equity instrument	57	58
Bond instrument	23	22
Others	4	4
Total	100	100

The expected return rate of the overall asset is based on the historical return trend and the actuary's forecast of the asset's market during the duration of the relevant obligation regarding the use of labor pension funds by the Labor Utilization Bureau of the Ministry of Labor. Estimates of the impact on the interest rate on a 2-year time deposit at a local bank are used to determine the minimum return. The actual returns on plan assets in 2023 and 2022 were NT\$1,533 thousand and NT\$5,810 thousand, respectively.

(4) Toung Loong Textile MFG. is exposed to the following risks due to the pension system of the "Labor Standards Act":

A. Investment risk: The Bureau of Labor Funds, Ministry of Labor,

invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits through self-operated and entrusted operation methods. However, the amount attributable to the planned asset of the Consolidated Company shall not fall below the interest rate offered by the banks in the regions of investment for 2-year time deposit as return.

- B. Interest rate risk: A decrease in the interest rate of government bonds will increase the presently defined benefit obligation value and the return on the plan asset debt investment. They will partially offset the effect on the net defined liability.
- C. Salary risk: Calculations to determine the present benefit obligation values are made based on the future salaries of plan members. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- (5) The main actuarial assumptions of Toung Loong Textile MFG. on the measurement date are listed as follows:

Items	Measurement date	
	December 31, 2023	December 31, 2022
Discount rate	1.17%	1.20%
Expected salary increase rate	2.00%	2.00%

- (6) The sensitivity analysis for determining the present value of defined benefit obligations is as follows:

Items	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	\$ (1,341)	\$ (1,313)
Decrease by 0.25%	\$ 1,416	\$ 1,386
Expected salary increase rate		
Increase by 0.5%	\$ 2,683	\$ 2,699
Decrease by 0.5%	\$ (2,459)	\$ (2,480)

The preceding sensitivity analysis for the determined benefit obligation's present value mentioned above is based on a single actuarial assumption change, while all other actuarial assumptions remain unchanged. Since some actuarial assumptions are related, having only one actuarial assumption is unlikely. Due to changes in actuarial assumptions, sensitivity analyses on defined benefit obligations may not be representative.

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

- (7) **Toung Loong Textile MFG. expects to allocate NT\$0 thousand to the defined benefit plan in 2024. The weighted average duration of benefit obligations is 6.9 years.**

(IX) Interests

1. Capital Shares

Items	December 31, 2023	December 31, 2022
Authorized capital	\$ 1,720,000	\$ 1,720,000
Paid-in capital	\$ 1,226,920	\$ 1,226,920
Capital reserve-		
Additional paid-in capital	167,271	167,271
Total	\$ 1,394,191	\$ 1,394,191

As of December 31, 2023 and 2022, Toung Loong Textile MFG. has 172,000 thousand ordinary shares with a par value of NT\$10 per share. Each share has one vote and the right to dividends. The issued and fully paid shares were both 122,692 thousand shares.

2. Capital Reserve

Items	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 167,271	\$ 167,271

According to relevant laws and regulations, the excess from the issuance of shares exceeding the par value (the issuance of ordinary shares at a price greater than the par value, the share capital premium of shares issued as a result of mergers, the conversion premium of corporate bonds, treasury stock transactions, the actual acquisition or disposal of subsidiary company equity prices, book value difference, etc.) and the capital reserve generated from receiving gifts can be used to make up for losses. It can also be used to distribute cash dividends or appropriate share capital when the Company has no losses, provided that the total amount of capital appropriation is limited to no more than 10% of the paid-in capital each year. In addition, changes in ownership interests in subsidiaries shall be recognized to offset losses.

3. Retained Earnings and Dividends

(1) Statutory surplus reserve

According to the Company Act, the Company shall allocate 10% of the after-tax net profit as the statutory surplus reserve until it has

reached the total capital amount. When the Company has no losses, it may issue new shares or cash from the statutory reserve upon the shareholders meeting resolution, provided that the reserve is limited to 25% of the paid-in capital.

(2) Special Surplus Reserve

Provisions for withdrawing and reversing the special surplus reserve were established according to FSC's letter Jin-Guan-Zheng-Fa-Zi No. 1090150022 dated March 31, 2021, and the "Applicable Questions and Answers for the Provision of Special Surplus Reserve after Adopting the IFRSs." If there is a subsequent balance reversal of other deducted equity items, the surplus may be distributed for the reversed portion.

(3) Surplus Distribution and Dividend Policy

A. According to Toung Loong Textile MFG.'s Articles of Incorporation, the profit distribution and dividend policy are as follows:

Suppose there is a surplus in the annual final accounts of Toung Loong Textile MFG., taxes shall be paid first to make up for the accumulated losses over the years. In that case, 10% shall be raised for the second time as the Legal reserve, and the special reserve shall be allocated or reversed according to the laws or regulations of the competent authority. If there is still a surplus, the balance plus accumulated unappropriated retained earnings of previous years shall be distributed by the board of directors after a distribution proposal is made and submitted to the shareholders meeting for resolution.

The board of directors determines Toung Loong Textile MFG.'s dividend policy based on factors such as the Company's earnings over the years, current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets. It must also consider the shareholders' interests, balanced dividends, and the Company's long-term financial planning. It shall be drafted by the board of directors according to the law and submitted to the shareholders meeting for resolution. Toung Loong Textile MFG. distributes shareholder dividends based on the principle of no less than 50% of the after-tax profit of the current year after deducting losses. The surplus distribution can be done in the form of cash dividends or stock dividends, and the amount of cash dividends shall not be less than 30% of the total dividends paid in the current year.

B. Toung Loong Textile MFG.'s 2022 and 2021 profit distribution proposals were resolved by the shareholders meetings on June 2, 2023 and June 16, 2022. There is no difference between the actual distribution amount and the proposed distribution approved by the original board of directors. The details are as follows:

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Items	Amount of surplus distribution		Distribution of dividends (NT\$/share)	
	2022	2021	2021	2021
Statutory reserves	\$16,757	\$31,764		
Cash dividends	85,884	156,372	\$0.70	\$1.30
Stock dividends	-	24,057	\$ -	\$0.20
Total	<u>\$102,641</u>	<u>\$212,193</u>		

For information about the basis and recognized remuneration amounts for employees, directors, and supervisors, please refer to Note 6(11) of the Consolidated Financial Report for details on employee benefits, depreciation, and amortization expenses.

4. Other Items of Equity

(1) Financial statements translation differences of foreign operations

Item	2023	2022
Beginning retained earnings	\$ (7,234)	\$ (22,453)
Changes in this period	(4,076)	15,219
Balance at December 31	<u>\$ (11,310)</u>	<u>\$ (7,234)</u>

(2) Unrealized income of financial assets measured at FVTOCI

Item	2023	2022
Beginning retained earnings	\$ 7,255	\$ (2,509)
Other comprehensive income recognized for the period	(14,000)	9,764
Balance on December 31	<u>\$ (6,745)</u>	<u>\$ 7,255</u>

(3) Remeasured value of defined benefit plan

Item	2023	2022
Beginning retained earnings	\$ (40,204)	\$ (45,139)
Changes in this period	311	4,935
Balance on December 31	<u>\$ (39,893)</u>	<u>\$ (40,204)</u>

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

5. Non-controlling Interests

Items	2023	2022
Beginning retained earnings	\$ 57,037	\$ 54,940
Comprehensive income for the period	2,411	8,492
Subsidiary's cash dividends paid	(5,136)	(6,395)
Balance on December 31	<u>\$ 54,312</u>	<u>\$ 57,037</u>

(X) Income

Item	2023	2022
Operating revenue		
Sales revenue	<u>\$ 2,818,246</u>	<u>\$ 4,099,883</u>

The consolidated company's commodity sales revenue is derived from transferring commodities to customers at a specific time.

(XI) Employee Benefit, Depreciation, and Amortization Expenses

Nature \ Function	2023			2022		
	Attributed to operating costs	Attributed to operating expense	Total	Attributed to operating costs	Attributed to operating expense	Total
Employee benefits						
Salary expense	\$ 238,685	\$ 74,541	\$ 313,226	\$ 299,335	\$ 100,073	\$ 399,408
Labor and health insurance expense	25,694	5,050	30,744	31,016	5,164	36,180
Pension expense	9,919	2,198	12,117	11,437	2,251	13,688
Other employee benefit expense	22,415	3,594	26,009	43,447	4,404	47,851
Subtotal	<u>\$ 296,713</u>	<u>\$ 85,383</u>	<u>\$ 382,096</u>	<u>\$ 385,235</u>	<u>\$ 111,892</u>	<u>\$ 497,127</u>
Depreciation expense	<u>\$ 339,807</u>	<u>\$ 10,955</u>	<u>\$ 350,762</u>	<u>\$ 339,555</u>	<u>\$ 9,060</u>	<u>\$ 348,615</u>
Amortization cost	<u>\$ 4,178</u>	<u>\$ 646</u>	<u>\$ 4,824</u>	<u>\$ 7,795</u>	<u>\$ 1,126</u>	<u>\$ 8,921</u>

1. According to the Toung Loong Textile MFG.'s Articles of Incorporation, the ratios of employee, director, and supervisor remunerations are as follows:

Toung Loong Textile MFG. shall distribute over 1% of the current year's profit status as employee remuneration and less than 5%

remuneration for directors and supervisors. However, the Company shall make up for any accumulated losses if there are any.

The preceding "profitability of the year" refers to the remaining profit from pre-tax profit less employee, director, and supervisor remunerations.

Employee, director, and supervisory remuneration shall be resolved in a board of directors meeting attended by at least two-thirds of all board members and by a majority vote of the attending directors. The resolution shall be reported to the shareholders meeting.

Employee remuneration can be made in stock or cash, and the recipients may include employees of subordinate companies who meet certain conditions.

2. Toung Loong Textile MFG. shall conform to the preceding employee, director, and supervisor remuneration ratio stipulated in its Articles of Incorporation and reference the actual amount paid in the previous year. The total amount for employee, director, and supervisor remuneration estimated for 2023 and 2022 were NT\$0 thousand and NT\$18,075 thousand, respectively. They were recognized as operating costs or operating expenses according to their nature. However, if there is a discrepancy between the actual disbursed amount and the estimated amount, the disbursed amount shall be listed as annual income.
3. Toung Loong Textile MFG.'s 2023 and 2022 remunerations for its employees, supervisors, and directors were resolved by its board of directors on March 13, 2024, and March 13, 2023, respectively. They were distributed in cash as follows:

Items	2023		2022	
	Employee Remuneration	Director and Supervisor Remuneration	Employee Remuneration	Director and Supervisor Remuneration
Allotment amount resolved by the Board of Directors	\$ -	\$ -	\$ 10,000	\$ 8,075
Amounts recognized in financial statements	-	-	10,000	8,075
Amount difference	\$ -	\$ -	\$ -	\$ -

The preceding information on Toung Loong Textile MFG.'s employee and director remunerations can be accessed on MOPS.

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

(XII) Other Comprehensive Incomes

2023

Other Comprehensive Income Items	Amount Before Tax	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss			
Remeasurement of defined benefit programs	\$ 389	\$ (78)	\$ 311
Unrealized equity instrument profit or loss measured at fair value through other comprehensive income	(14,000)	-	(14,000)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of the financial statements of foreign operations	(6,440)	1,019	(5,421)
Total	\$ (20,051)	\$ 941	\$ 19,110

Young Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

2022

Other Comprehensive Income Items	Amount Before Tax	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss			
Remeasurement of defined benefit programs	\$ 6,168	\$ (1,233)	\$ 4,935
Unrealized equity instrument profit or loss measured at fair value through other comprehensive income	9,764	-	9,764
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of the financial statements of foreign operations	22,786	(3,805)	18,981
Total	\$ 38,718	\$ (5,038)	\$ 33,680

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

(XIII) Income Tax

1. Income tax recognized in income:

Items	2023	2022
Current income tax (expenses)		
Current tax payable	\$ (4,731)	\$ (59,323)
The current income tax expense of the previous year adjusted in the current period	(102)	2,305
Investment tax credits	2,072	8,252
Others	(1)	-
Deferred income tax (expenses)		
Deferred income tax benefit related to the occurrence and reversal of timing differences	3,204	15,319
Income tax benefit (fee)	<u>\$ 442</u>	<u>\$ (33,447)</u>

2. Income tax recognized in other comprehensive income:

Items	2023	2022
Remeasurement of defined benefit programs	\$ (78)	\$ (1,233)
Exchange differences on translation of the financial statements of foreign operations	1,019	(3,805)
Income tax benefit (fee)	<u>\$ 941</u>	<u>\$ (5,038)</u>

3. Reconciliation instructions for accounting income and income tax expenses:

Items	2023	2022
Profit (loss) before tax	<u>\$ (12,594)</u>	<u>\$ 205,747</u>
Income tax benefit (expense) calculated at the statutory tax rate on net profit before tax	\$ 2,519	\$ (41,149)
Income tax impact of reconciled items		
Impact level of tax on items that should be increased (decreased) when determining taxable income	(1,161)	2,000
Impact level of deferred tax assets	(1,640)	(3,375)
Income tax impact of investment tax credits	2,072	8,252
The current income tax expense of the previous year adjusted in the current period	(102)	2,305
Impact level of different tax rates applicable to parent and subsidiary companies	(1,246)	(1,480)
Income tax benefit (fee)	<u>\$ 442</u>	<u>\$ (33,447)</u>

4. Deferred Income Tax Balance

The movements in deferred tax assets and liabilities are as follows:

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

2023

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recogniz ed in other compre hensive income	Balance on December 31
Deferred tax assets				
Unrealized currency exchange gains or losses	\$ 1,532	\$ 1,203	\$ -	\$ 2,735
Expected credit impairment losses	10,561	(527)	-	10,034
Inventory valuation losses	8,731	145	-	8,876
Loss carryforwards	1,619	1,731	-	3,350
Investment tax credits		2,072	-	2,072
Remeasured value of defined benefit plan	10,051	-	(78)	9,973
Differences on translation of the financial statements of foreign operations	1,808	-	1,019	2,827
			\$	
Total	\$ 34,302	\$ 4,624	941	\$ 39,867
Deferred income tax (liabilities)				
Unrealized currency exchange gains or losses	\$ -	\$ (157)	\$ -	\$ (157)
Shares of associated companies and joint venture income recognized under the equity method	(26,250)	(6,124)	-	(32,374)
Prepaid pension	(13,089)	(1,963)		(15,052)
Total	\$ (39,339)	\$ (8,244)	\$ -	\$ (47,583)

Young Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognize d in other compreh ensive income	Balance on December 31
Deferred income tax (liabilities)				
Shares of associated companies and joint venture income recognized under the equity method	\$ (27,497)	\$ 747	\$ -	\$ (26,750)
Expected credit impairment losses	-	(208)	-	(208)
Prepaid pension	(14,803)	113	-	(14,690)
Total	<u><u>\$ (42,300)</u></u>	<u><u>\$ 652</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (41,648)</u></u>

2022

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehensi ve income	Balance on December 31
Deferred tax assets				
Unrealized currency exchange gains or losses	\$ 1,414	\$ 118	\$ -	\$ 1,532
Expected credit impairment losses	-	10,561	-	10,561
Inventory valuation losses	6,906	1,825	-	8,731
Loss carryforwards	1,619	-	-	1,619
Remeasured value of defined benefit plan	11,284	-	(1,233)	10,051
Differences on translation of the financial statements of foreign operations	5,613	-	(3,805)	1,808
Total	<u><u>\$ 26,836</u></u>	<u><u>\$ 12,504</u></u>	<u><u>\$ (5,038)</u></u>	<u><u>\$ 34,302</u></u>
Deferred income tax (liabilities)				
Unrealized currency exchange gains or losses	\$ -	\$ (157)	\$ -	\$ (157)
Shares of associated companies and joint venture income recognized under the equity method	(26,250)	(6,124)	-	(32,374)
Prepaid pension	(13,089)	(1,963)	-	(15,052)
Total	<u><u>\$ (39,339)</u></u>	<u><u>\$ (8,244)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (47,583)</u></u>

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehen sive income	Balance on December 31
Deferred income tax (liabilities)				
Shares of associated companies and joint venture income recognized under the equity method	\$ (29,675)	\$ 2,178	\$ -	\$ (27,497)
Expected credit impairment losses	(557)	557	-	-
Prepaid pension	(14,883)	80	-	(14,803)
Total	<u>\$ (45,115)</u>	<u>\$ 2,815</u>	<u>\$ -</u>	<u>\$ (42,300)</u>

5. The income tax settlement declaration cases for the profit-seeking enterprises of consolidated companies have been approved by the tax collection authority as follows:

Company Name	Year of Approval
Toung Loong Textile MFG.	2021
Sarah Global Co., Ltd.	2021
Lung Hsiang Hsing Int'l Co., Ltd.	2021

(XIV) Earnings Per Share

Basic earnings (losses) per share

The earnings and weighted average number of ordinary shares used to calculate the basic earnings per share are as follows:

Items	2023	2022
Net profit (loss) attributable to parent company owners	<u>\$ (15,908)</u>	<u>\$ 167,570</u>
Basic earnings per share for the weighted average number of ordinary shares (thousand shares)	<u>122,692</u>	<u>122,692</u>
Basic earnings (losses) per share (NT\$)	<u>\$ (0.13)</u>	<u>\$ 1.37</u>

VII. Related Party Transactions

(I) Parent company and ultimate controller

Toung Loong Textile MFG. has ultimate control over the consolidated

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

company. The transaction amount and balance between Toung Loong Textile MFG. and its subsidiaries have been eliminated when preparing the Consolidated Financial Report and are not disclosed in the notes to this Consolidated Financial Report.

(II) Related Party's Name and Relationship

<u>Related Party Name</u>	<u>Relationship with the consolidated company</u>
DONG LONG ENTERPRISE CO., LTD	Investments accounted for using equity method
Joinco Investment Ltd.	Other related party
Sara Rose International Inc.	Other related party

(III) Important Transactions with Related Parties

1. Operating revenue

<u>Related Party Name</u>	<u>2023</u>	<u>2022</u>
DONG LONG ENTERPRISE CO., LTD	<u>\$ 1,829</u>	<u>\$ -</u>

The transaction conditions and payment period (2 to 3 months) are not significantly different from ordinary customers.

<u>Related Party Name</u>	<u>Subject matter</u>	<u>2023</u>	<u>2022</u>
Sara Rose International Inc.	Office at Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	<u>\$ 23</u>	<u>\$ 23</u>

Sara Rose International Inc. prepaid the annual rent on January 1, 2023 and 2022, respectively, and did not pay the rental deposit.

2. Rent income

<u>Related Party Name</u>	<u>Subject matter</u>	<u>2023</u>	<u>2022</u>
DONG LONG ENTERPRISE CO., LTD	Land and buildings in An Sinuo County, Kandal Province, Cambodia	<u>\$ 1,177</u>	<u>\$ 1,130</u>
Joinco Investment Ltd.	Office at Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	<u>\$ 23</u>	<u>\$ 23</u>

Toung Loong Textile MFG. collects rental income every 3 months and

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

does not charge a rental deposit.

3. Relevant information on the total remuneration of key management

Item	2023	2022
Short-term employee benefits	\$ 23,248	\$ 30,044
Post-employment benefits	106	150
Total	\$ 23,354	\$ 30,194

VIII. Pledged Assets

Assets	Subject matter of pledge guarantee	Carrying amount	
		December 31, 2023	December 31, 2022
Land	Bank loans	\$ 752,496	\$ 565,084
Buildings	Bank loans	711,774	600,327
Machinery and equipment	Bank loans	145,889	191,161
right-of-use asset	Bank loans	3,756	4,172
Total		\$ 1,613,915	\$ 1,360,744

IX. Significant Contingent Liabilities And Unrecognized Contract Commitments

- (I) As of to December 31, 2023, the details of the unused letters of credit issued by the consolidated company for the purchase of raw materials and machinery and equipment are as follows:

Items	Amount
The number of unused letters of credit issued	
NTD (in thousands)	\$ 57,221
USD (in thousands)	743

- (II) As of December 31, 2023, the details of guaranteed notes issued by the consolidated company are as follows:

Items	Amount
Loan amount	\$ 450,000
Return material yarn tube guarantee	2,400

- (III) The total price of the project and sales contract signed by the consolidated company for plant expansion and the purchase of additional equipment is approximately NT\$445,110 thousand. As of December 31, 2023, the remaining amount to be paid was approximately NT\$195,150 thousand.

- X. Major disaster losses: None.**

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

XI. Major subsequent events: None.

XII. Others

(I) Financial instruments

1. Categories of financial instruments

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 700,623	\$ 636,125
Notes and accounts receivables	271,020	268,795
Other receivables	6,954	6,040
Refundable deposits	18,892	19,397
Other financial assets	89,194	37,343
Financial assets measured at amortized cost	127,425	110,219
Financial assets at fair value through other comprehensive income	90,603	104,604
Total	<u>\$ 1,304,711</u>	<u>\$ 1,182,523</u>

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 1,112,386	\$ 1,379,184
Short-term notes and bills payable	99,968	79,808
Notes payable and accounts payable	273,297	218,213
Other payables	94,428	157,705
Long-term borrowings (including the portion with maturity in one year)	1,482,572	1,224,048
Lease liabilities	20,964	12,463
Deposits received	193	193
Total	<u>\$ 3,083,808</u>	<u>\$ 3,071,614</u>

2. The Purpose of Financial Risk Management

The financial risk management objective of the consolidated company is to manage financial risks related to operating activities. Such risks include market risk (including foreign currency exchange rate and interest rate risk), credit risk, and liquidity risk. The consolidated company is devoted to identifying, assessing, and avoiding market uncertainties to eliminate the potential adverse effects of market changes on financial performance. The consolidated company's board of directors supervises the management level and monitors the compliance of the consolidated company's financial risk management policies and procedures. It reviews the suitability of the consolidated company's financial risk management framework for the risks

they face. Internal auditors assist merger company boards in their oversight role. These individuals conduct routine and exceptional reviews of financial risk management controls and procedures, and report the findings to the board of directors.

3. Market risks

Market risk refers to the risk that changes in market prices will affect the income of the consolidated company or the value of financial instruments held, such as changes in exchange rates and interest rates. Market risk management aims to control the degree of exposure to market risks within a tolerable range and optimize investment returns. The consolidated company is mainly exposed to market risks, such as changes in foreign currency exchange and interest rates, and uses certain derivative financial instruments to manage related risks. In 2023 and 2022, there was no risk exposure change in the financial instrument market, the management, and the measurement of such exposure.

(1) Foreign currency exchange rate risks

Some of the consolidated company's operating activities and net investments in foreign operating institutions are mainly conducted in foreign currencies, so currency exchange rate risks may occur. The exchange rate risk management strategy regularly reviews the net positions of assets and liabilities in various currencies and carries out risk management on the net positions. It is based on the cost of hedging and the period of hedging to avoid the decrease in the value of foreign currency assets and fluctuations in future cash flows caused by exchange rate changes and to avoid the selection of exchange rate risk tools. The following are the details of the consolidated company's foreign currency assets and liabilities that have a significant impact on the financial report:

December 31, 2023

Items	Foreign currency (thousand)	Exchange rate	Carrying amount
Financial asset			
<u>Monetary</u>			
<u>items</u>			
USD	\$ 18,273	30.71	\$ 561,087
Euro	20	33.98	682
VND	65,100,711	0.0012	81,930
JPY	144	0.22	31
<u>Non-monetary</u>			
<u>items</u>			
USD	205	30.71	6,627
Financial liability			
<u>Monetary</u>			
<u>items</u>			
USD	147	30.71	4,499
VND	25,079,313	0.0012	31,562

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

December 31, 2022

Item	Foreign currency (thousand)	Exchange rate	Carrying amount
Financial asset			
<u>Monetary</u>			
<u>items</u>			
USD	\$ 17,921	30.71	\$ 550,356
Euro	25	32.72	818
VND	59,182,227	0.0012	76,564
JPY	104	0.23	24
<u>Non-monetary</u>			
<u>items</u>			
USD	439	30.71	13,504
Financial liability			
<u>Monetary</u>			
<u>items</u>			
USD	482	30.71	14,827
Euro	1,150	32.72	37,637
VND	7,448,866	0.0012	9,637

The exchange rate risk sensitivity analysis is as follows:

	2023		
NTD			
1% relative appreciation	USD	VND	Euro
Profits (losses)	\$ 5,566	\$ 504	\$ 7
Increase (decrease) in equity	66	-	-
	2022		
NTD			
1% relative appreciation	USD	VND	Euro
Profits (losses)	\$ 5,355	\$ 669	\$ (368)
Increase (decrease) in equity	135	-	-
(2) Interest rate risk			

Interest rate risk is the risk of changes in the fair value of financial instruments due to market interest rate fluctuation. The consolidated company's long-term and short-term bank loans were borrowed at floating interest rates. So any changes in market interest rates will generate fair value change risks and cash flow risks. The consolidated company's policy is to hedge against the risks of changes in loan interest rates. It assesses the international economic situation and market interest rate trends before deciding whether to use floating or fixed interest rates to avoid the risks of interest rate changes.

The interest rate risk sensitivity analysis is based on the interest

rate exposure of derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the end of the reporting period was outstanding for the entire year. The rate of change used by the consolidated company when reporting interest rates internally to the key management level is a 0.25% increase or decrease in interest rates, which represents the management's assessment of the reasonably possible interest rate fluctuation range. Suppose the interest rate rises or falls by 0.25% while all other variables remain constant. In that case, the consolidated company's net profit in 2023 and 2022 will fall or rise by NT\$6,487 thousand and NT\$6,508 thousand, respectively, according to changes in the consolidated company's borrowing rate.

4. Credit Risk Management

The risk of financial loss to the consolidated company due to the failure of the transaction counterparty or other parties to perform the contract is referred to as credit risk. The evaluation subject is the contract with a positive fair value on the balance sheet date. As of December 31, 2023 and 2022, the largest credit risk exposure of the consolidated company that may cause financial losses due to the counterparty's failure to perform the contract mainly comes from the receivables generated from operating activities. The consolidated company's operational and financial credit risks are managed separately.

(1) Operational-related credit risk

The consolidated company has established procedures for credit risk management related to operations to maintain the quality of accounts receivable. An individual customer's credit risk assessment is primarily based on the customer's financial status, historical transaction records, the internal credit rating of the consolidated company, credit rating agency ratings, current economic conditions, and other factors that may affect the customer's ability to pay. The consolidated company also timely uses certain credit enhancement tools, such as advance payment and credit insurance, to reduce the credit risk of specific customers.

As of December 31, 2023 and 2022, the accounts receivable balance of the top 10 customers accounted for 73% and 65% of the consolidated company's accounts receivable balance, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

(2) Financial credit risk

The credit risk of the consolidated company engaged in financial asset investment is measured and monitored by the Financial Department of the consolidated company. Since the transaction partners are all financial institutions and corporate organizations with good credit, no significant credit risk is expected. The

consolidated company does not hold any collateral or other credit enhancement instruments to hedge the financial asset credit risks.

5. Liquidity risk management

The liquidity risk management objective of the consolidated company is to maintain the cash and equivalent cash required for operations, highly liquid securities and sufficient bank financing, etc. The goal is to ensure that the merged company has sufficient financial flexibility and mitigate the impact of cash flow fluctuations. The management of the consolidated company supervises the bank financing lines and ensures compliance with the loan contract terms. As of December 31, 2023 and 2022, the consolidated company's unused short-term bank financing lines were NT\$2,319,786 thousand and NT\$2,328,988 thousand, respectively.

The consolidated company's investment in domestic and foreign unlisted company stocks is expected to have a relatively significant liquidity risk because there is no active market.

The table below analyzes the remaining contractual maturity of financial liabilities during the agreed repayment period. It is prepared based on the undiscounted cash flow of financial liabilities, which includes cash for interest and principal flow. It is based on the earliest date on which the consolidated company may be required to repay:

December 31, 2023

Item	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities						
Short-term borrowings	\$ 951,788	\$ 160,598	\$ -	\$ -	\$ 1,112,386	\$ 1,112,386
Commercial papers payable	99,968	-	-		99,968	99,968
Notes payable and accounts payable	256,487	16,462	348	-	273,297	273,297
Other payables	91,396	3,032	-	-	94,428	94,428
Long-term borrowings	57,486	209,232	1,044,958	305,442	1,617,118	1,482,572
Lease liabilities	3,134	8,516	9,314	-	20,964	20,964
Deposits received	-	-	193	-	193	193
Total	\$ 1,460,259	\$ 397,840	\$ 1,054,813	\$ 305,442	\$ 3,218,354	\$ 3,083,808

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

December 31, 2022

Item	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities						
Short-term borrowings	\$ 989,132	\$ 390,052	\$ -	\$ -	\$ 1,379,184	\$ 1,379,184
Short-term notes and bills payable	79,808	-	-		79,808	79,808
Notes payable and accounts payable	204,749	11,801	1,663	-	218,213	218,213
Other payables	124,063	33,642	-	-	157,705	157,705
Long-term borrowings	12,973	102,112	914,082	262,657	1,291,824	1,224,048
Lease liabilities	1,566	4,698	6,330	-	12,594	12,463
Deposits received	-	-	193	-	193	193
Total	\$ 1,412,291	\$ 542,305	\$ 922,268	\$ 262,657	\$ 3,139,521	\$ 3,071,614

6. Fair Value of Financial Instruments

(1) Fair value of financial instruments at amortized cost

In the consolidated financial statements, the company believes the carrying amounts of financial assets and liabilities measured at amortized cost approximate their fair values.

(2) Appraisal techniques and assumptions used to measure fair value

Fair value refers to the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the consolidated company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are reasonable approximations of fair value, primarily because of the short maturity periods for such instruments.
- B. The fair value of financial assets and liabilities traded in an active market with standard terms and conditions is determined regarding market quotations (such as listed stocks and bonds).
- C. The fair value of equity instruments without active market transactions (for example, private placement stocks listed on the counter, publicly issued company stocks without active markets,

and privately issued company stocks) is estimated using the market method. The fair value is calculated based on the prices generated by the market transactions of the same or comparable corporate equity instruments and other relevant information (lack of liquidity discount factors, similar company equity ratio, similar company stock price-to-book ratio, etc.).

- D. The increased financial assets at amortized cost and the fair value of long-term payables are determined based on the discounted cash flow analysis. Since there is little difference between the discounted and book values, they are presented at the book value.

(3) Fair value measurement recognized in the consolidated asset balance sheet

After the initial recognition, the analysis of financial instruments is based on the fair value measurement method, which is divided into three levels based on the degree of observability of the fair value:

- A. Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- B. Level 2 fair value measurement refers to the derivation of fair value from observable inputs of assets or liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices), but not included in the first level quotations.
- C. Level 3 fair value measurement is the evaluation technique that uses unobservable input values (input values of assets or liabilities not based on observable market data) to derive fair value.

(4) Fair value – financial instruments measured at fair value regularly

December 31, 2023

Item	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Non-listed domestic and foreign company stocks	\$ -	\$ -	\$ 90,603	\$ 90,603

December 31, 2022

Item	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Non-listed domestic and foreign company stocks	\$ -	\$ -	\$ 104,604	\$ 104,604

(II) Capital management

The Consolidated Company's capital management goal is to ensure the

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

ability to continue operations; meet the needs of working capital, capital expenditures, R&D expenses, debt repayments, and dividend payments for the next 12 months; and maintain an optimal capital structure to reduce capital costs. The Consolidated Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to liquidate liabilities to maintain or adjust the capital structure.

The Consolidated Company monitors capital by regularly reviewing the debt ratio. The debt ratio of the consolidated company is as follows:

Item	December 31, 2023	December 31, 2022
Total liabilities	\$ 3,159,419	\$ 3,191,801
Total Assets	\$ 5,828,329	\$ 5,982,933
Liability proportion	54%	53%

XIII. Additional Disclosures

(I) Information on Significant Transactions

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Attachment 1.
3. Securities held at the end of the period: see Attachment 2 for details.
4. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in Capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engage in derivative commodity trading: None.
10. Business relations and important transactions between parent and subsidiary companies: See Attachment 3 for details.

(II) Information about reinvestment matters: See Attachment 4 for details.

(III) Mainland China investment information: The consolidated company has not invested in mainland China.

(IV) Information on major shareholders: See Attachment 5 for details.

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

XIV. Department Information

The consolidated company's resource allocation and performance measurement are based on the operating results regularly reviewed by the chief operating officer, and the consolidated company is a single operating department. The basis of measurement for the operating department's income, assets, and liabilities is the same as that of the financial report. Please refer to the preceding Consolidated Financial Report.

(I) Product Type Information

The revenue analysis of the main products for the continuing operations unit of the consolidated company is as follows:

Region	2023	2022
Cloth yarn	\$ 2,503,605	\$ 3,680,124
Others	314,641	419,759
Total	<u>\$ 2,818,246</u>	<u>\$ 4,099,883</u>

(II) Geographical information

The geographical information of the consolidated companies is shown below. The revenue is classified based on the clients' geographical location, while non-current assets are classified according to the assets' geographical location.

Region	2023	2022
External Revenue		
Taiwan	\$ 2,214,666	\$ 3,235,033
Vietnam	263,251	303,922
Mainland China	122,946	201,585
Others	217,383	359,343
Total	<u>\$ 2,818,246</u>	<u>\$ 4,099,883</u>

Item	December 31, 2023	December 31, 2022
Non-current assets		
Taiwan	\$ 3,042,439	\$ 3,107,362
Vietnam	40,631	45,636
Cambodia	33,008	33,382
Total	<u>\$ 3,116,078</u>	<u>\$ 3,186,380</u>

Non-current assets do not include financial instruments and deferred income tax assets.

Toung Loong Textile MFG. Co., Ltd. and its Subsidiaries
Notes to the 2023 and 2022 Consolidated Financial Reports (Continued)

(III) Main Customer Information

The information on a single customer that accounted for more than 10% of the Consolidated Company's net revenues for 2023 and 2022 is as follows:

<u>Customer Type</u>	<u>2023</u>	<u>2022</u>
Customer A	\$ 984,030	\$ 1,375,772

Attachment 1

Endorsements/guarantees provided

For the year ended December 31, 2023

No. (Note 1)	Endorsement/guarantee provider	Guaranteed party		Limits on endorsement/guarantee amount provided to a single entity (Note 3)	The maximum endorsement guarantee balance in the current period	Balance of endorsement guarantee at the end of the period	Actual drawn-down amount (Note 4)	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Endorsement/guarantee limit (Note 3)	Endorsement/guarantee from the parent company to the subsidiary (Note 5)	Endorsement/guarantee from subsidiary to parent company (Note 5)	Guarantee provided to subsidiaries in Mainland China (Note 5)
		Company Name	Relationship (Note 2)										
0	Toung Loong Textile MFG. Co., Ltd.	Toung Loong Textile MFG. (Vietnam)	2021	\$ 1,045,839 (2,614,598×40%)	(US\$2,500) NT\$81,063	(US\$2,500) NT\$76,763	(US\$339) NT\$10,408	-	2.94%	\$ 1,281,153 (2,614,598×49%)	Y	N	N

Unit: USD thousand, NTD thousand

Note 1: 0 represents Toung Loong Textile MFG. Co., Ltd.

Note 2: 2 represents a subsidiary whereby a parent company directly owns over 50% of its ordinary shares.

Note 3: Maximum limit calculation method: According to the Company's endorsement guarantee method, the Company's latest financial statement audited and certified by a CPA is limited to 49% of the net value of the Company's latest financial statements. The endorsement guarantee for a single enterprise shall not exceed 40% of the latest net value of the Company's financial statements audited and certified by a CPA.

Note 4: The amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 5: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Marketable securities held at the end of the period

December 31, 2023

Unit: NT\$ thousand /

name	Marketable securities types and name (Note 1)	Relationship with the securities issuer (Note 2)	Financial statement account	End of Period		
				Shares	Book value (Note 3)	Fair value (Note 4)
MFG.	<u>Bonds</u>					
	Bond repos	None	Financial assets at amortized cost - current	-	\$ 48,298	\$ 48,298
	Bond repos	"	Non-current financial assets at amortized cost		79,127	79,127
	Subtotal				127,425	
<u>Stocks</u>	Chain Yarn Co., Ltd.	"	Financial assets at fair value through other comprehensive income- non-current	6,164	62,000	62,000
	Tair Yung Fa Co., Ltd.	"		1	18,000	18,000
	Pao Shiang Construction & Industrial Co., Ltd.	"		55	4	4
	EZ-Photo Co., Ltd.	"		90	696	696
	Safe Save Medical Cell Sciences & Technology Co., Ltd.	"		221	4,630	4,630
	Ta Shee Resort Co., Ltd.	"		-	4,010	4,010
	Subtotal				89,340	
Co., Ltd	<u>Stocks</u>					
	ACE CROWN VIETNAM CO.,LTD	"		-	1,264	1,264

le securities were shares, bonds, beneficiary certificates, and others within the scope of IFRS 9 “Financial Instruments.”

field if the securities issuer is not a related party.

measured by fair value, the book amount column B is the book balance after adjusting the fair value evaluation and deducting accumulated losses. For those not measured by book amount in Column B is the book balance of the original acquisition cost or amortized cost less accumulated impairment.

provision of guarantees, pledged loans, or other agreements, the number of shares provided as guarantee or pledge, the amount of guarantee or pledge, and the circumstances of provision about investing in subsidiaries and affiliated companies, please refer to Attachment 4 for investment-related information.

Business relations and important transactions between parent and subsidiary companies

For the year ended December 31, 2023

Name		Transaction party	Relationship with transaction party (Note 2)	Transaction status			Percentage over consolidated or total assets (N
				Item	Amount	Transaction condition	
Young Loong Textile MFG. Co., Ltd.		Sarah Global Co., Ltd.	1	Operating income	\$ 27,579	Normal Trading Conditions	0.98%

ion on business contacts between the parent company and subsidiaries shall be specified in the No. column, the ways to fill in are as follows:
" for the parent company. 2. Subsidiaries are listed sequentially, starting from the Arabic number "1."

e three types of relationships with the transaction parties. Please indicate the type:

subsidiary. 2. Subsidiary to parent. 3. Subsidiary to subsidiary.

of the transaction amount to the consolidated total revenue or total assets is calculated by the balance at the end of the period to the consolidated total assets if it is an a

come subject, it shall be calculated based on the accumulative amount in the period as a percentage of the consolidated total revenue.

nts of important transactions between the parent and the subsidiary companies are listed in this table if the ratio of the combined total revenue or total assets is over 1'
'10 million.

eding transactions have been written off when preparing the Consolidated Financial Report.

ions with relative related parties are not disclosed separately.

Reinvestment related information
For the year ended December 31, 2023

Unit: NT\$ thousand / thousand shares

Investor	Name of investee	Location	Main business	Initial investment amount		Holding at the end of the period		Current income of investee	Investment income recognized in the current period	Remarks
				By the end of the current period	End of last year	Shares	Percentage			
Toung Loong Textile MFG. Co., Ltd.	Lung Hsiang Hsing INT'L Co.	R.O.C.	International Trade	\$ 15,970	\$ 15,970	1,600	66.67%	\$ 9,484	\$ (1,337)	Note 1
				20,000	20,000	2,000	100.00%	29,226	1,551	Note 1
	Sarah Global Co., Ltd.	"	Wholesale and retail of cloths, textiles, and threads							
	Sarah International Co., Ltd	Vietnam	Manufacturing of weaving yarn	63,371 (US\$1,855 thousand)	63,371 (US\$1,855 thousand)	-	100.00%	89,339	6,037	Note 1
SUN BEAM GLOBAL ENTERPRISE CO., LTD	Toung Loong Textile MFG. (Vietnam)	"	"	92,724 (US\$2,843 thousand)	92,724 (US\$2,843 thousand)	-	66.67%	99,156	13,275	Note 1
				16,319 (US\$500 thousand)	16,319 (US\$500 thousand)	5	100.00%	41,815	(8,352)	Note 1
	SUN BEAM GLOBAL ENTERPRISE CO., LTD	The British Virgin	General commerce	\$ 208,384	\$ 208,384			\$ 269,020	\$ 6,750	
				US\$490 thousand	US\$490 thousand					
SUN BEAM GLOBAL ENTERPRISE CO., LTD	DONG LONG ENTERPRISE CO., LTD.	Cambodia	Manufacturing of weaving yarn			-	49.00%	\$ 4,466	(18,654)	

Note 1: The preceding transactions have been written off according to regulations when preparing the Consolidated Financial Report.

Information on Major Shareholders

December 31, 2023

Name of major shareholder	Shares held	Shareholding percentage
Yu	6,547,719	5.33%
Yu	6,368,094	5.19%

Information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the year in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been in non-physical form (including treasury shares). There may be a discrepancy in the number of shares recorded on the financial statements of the Company and its dematerialized securities arising from the difference in basis of preparation.

Moreover, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than ten percent of the shares, including their own shares and shares held by the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Information System (MOPS) website.

V. Parent Company Only Financial Statement for the most recent fiscal year, audited and attested by a CPA

CPA Audit Report

(2023) Shi-Shen No. 010

To: Toung Loong Textile MFG. Co., Ltd.

Audit opinions

We have audited the Parent Company Only Balance Sheet of Toung Loong Textile MFG. Co., Ltd. as of December 31, 2023 and 2022, as well as the Parent Company Only Comprehensive Income Statement, Parent Company Only Statement of Changes in Shareholders Equity, the Parent Company Only Statement of Cash Flows, and the Notes to Parent Company Only Financial Report (including the summary of significant accounting policies) for the years ended December 31, 2023 and 2022.

In our opinion based on our audit results and the audit report of other independent auditors (please refer to Other Matters), the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of Toung Loong Textile MFG. Co., Ltd. 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 were engaged to plan and conduct the audit according to the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Generally Accepted Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. The personnel of this CPA's accounting firm subject to independence has remained detached and independent from Toung Loong Textile MFG. Co., Ltd. according to the Code of Professional Ethics for CPAs to perform other responsibilities provided by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters refer to the most critical matters in the audit of Toung Loong Textile MFG. Co., Ltd.'s Parent Company Only Financial Report for 2023, according to the professional judgment of the CPA. These matters were addressed in the context of our audit of the

unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This CPA determined that the key audit matters that must be presented in the audit report are as follows:

Acquisition audit of property, plant and equipment

Please refer to Note 4 (9) of the Parent Company Only Financial Report for property, plant, and equipment accounting policies. Please refer to Note 6 (6) of the Parent Company Only Financial Report for property, plant, and equipment accounting items descriptions.

Explanation of key audit matters:

As of December 31, 2023, the property, plant and equipment of Toungh Loong Textile MFG. Co., Ltd. totaled NT\$2,996,579 thousand, accounting for 52% of total assets in the parent company only financial statements. Due to large amount of capital expenditure on property, plant and equipment, the acquisition of property, plant and equipment is considered as key audit matters.

Key audit procedures included:

1. Evaluate and test the performance of the increased transaction-related internal control system for property, plant, and equipment.
2. Sample and check pertinent purchase orders, invoices, etc., to ensure the transactions were correctly approved and the correct amounts recorded.
3. Sample and check the acceptance reports to ensure that the assets are ready for use and whether the timing of asset recognition in the general inventory is appropriate.
4. Sample and conduct on-site inventory of property, plant and equipment at the end of the period to ensure the existence of the purchased assets.

Other matters - Audits conducted by other certified public accountants

For the long-term equity investments evaluated using the equity method listed in Toungh Loong Textile MFG. Co., Ltd.'s Parent Company Only Financial Report, the financial reports of some investee companies were inspected by other accountants and not checked by this CPA. Therefore, in our opinions on the above-mentioned parent company only financial statements, the assessment of the above-mentioned long-term equity investment is based on the audit report of other independent auditors, and NT\$188,495 thousand and NT\$189,059 thousand was recognized as of December 2023 and 2022, both representing 3% of total assets. For 2023 and

2022, the profit/loss of subsidiaries, associates, and joint venture recognized under the equity method were NT\$14,888 thousand and NT\$25,299 thousand, respectively, accounting for (71%) and 13% of profit before tax. In addition, the "reinvestment-related information" disclosed in Note 13 (2) of the Parent Company Only Financial Report was compiled based on the investee companies' financial reports inspected by other auditors.

Management Level and Governing Units' Responsibilities for Parent Company Only Financial Statements

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

When preparing the Parent Company Only Financial Report, the responsibility of the management level includes evaluating the ability of Toungh Loong Textile MFG. Co., Ltd. to continue operating, the disclosure of related matters, and the adoption of the accounting basis for continuing operations; unless the management level intends to liquidate Toungh Loong Textile MFG. Co., Ltd., suspend its businesses, or there is no practical alternative to liquidate or terminate its businesses.

The governance units (including the Audit Committee) of Toungh Loong Textile MFG. Co., Ltd. are responsible for supervising the financial reporting process.

CPA's Parent Company Only Financial Statements Audit Responsibilities

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 certainty means a high degree of certainty. However, audits performed under the accepted auditing standards cannot guarantee that a material misrepresentation in the individual financial report can be detected. Misstatements can arise from fraud or error. Misstatements 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 the unconsolidated financial statements.

This CPA has exercised professional judgment and skepticism when conducting audits under the auditing standards. We also:

1. Identify the risks of significant false representations that may lead to fraud or error for the Parent Company Only Financial Statements, design and implement appropriate countermeasures for the risks found, and acquire sufficient and appropriate audit evidence as the basis for the audit 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. The CPA must understand the organization's internal control unit being audited to design the appropriate audit procedure. The objective is not to express an opinion on the effectiveness of the internal control unit for Toung Loong Textile MFG. Co., Ltd.
3. Evaluate the appropriateness of the accounting policies adopted by the management level, the rationality of its accounting estimates, and the relevant disclosures.
4. Determine the appropriateness of management's ongoing use of its accounting policies and, based on the audit evidence obtained, whether there is material uncertainty related to events or conditions that may cast significant doubt or concern on the ability of Toung Loong Textile MFG. Co., Ltd. to continue. In case where we consider that such events or circumstances have a material uncertainty, then relevant disclosure of the unconsolidated financial statements are required to be provided in our audit report to allow users of unconsolidated financial statements to be aware of such events or circumstances, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead Toung Loong Textile MFG. Co., Ltd. to become unable to continue to operate.
5. Evaluate the overall presentation, structure, and content of the Standalone Financial Report (including related notes) and assess whether the Standalone Financial Report can properly represent the relevant transactions and events.
6. Acquire sufficient and appropriate audit evidence for the financial information of individuals formed within Toung Loong Textile MFG. Co., Ltd. and issue an opinion regarding the Parent Company Only Financial Statements. The CPA is responsible for the guidance, supervision, and execution of the audit case and for forming the audit opinion of Toung Loong Textile MFG. Co., Ltd.

We communicated 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 identified during our audit).

The CPA has also provided the governance unit with a declaration stating that the personnel of the CPA's accounting firm who are subject to independence have complied with the independence requirements of the Norm of Professional Ethics for Certified Public Accountants of the Republic of China and communicated all relationships and other matters (including security related aspects) that may be considered to affect the accountant's independence with the governance unit.

The matters communicated between the CPA and the governance unit comprised key audit items for the audit of Toung Loong Textile MFG. Co., Ltd.'s 2023 Parent Company Only Financial Report. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

TOPPEST CPAS & CO.,

CPA Wei-Cheng Chang

CPA Wan-Li Hsieh

Financial Supervisory Commission
Approval

Jin-Guan-Zheng-Shen-Zi No.
1050037432

Financial Supervisory Commission
Approval

Jin-Guan-Zheng-Shen-Zi No.
1050037432

March 13, 2024

Toung Loong Textile MFG. Co., Ltd.

Parent Company Only Balance Sheet (I)

December 31, 2023 and 2022

Unit: Amounts expressed in thousands of New Taiwan Dollars

Assets		Note	2023/12/31 Amount	%	2022/12/31 Amount	%
Current asset						
1100	Cash and cash equivalents	4, 6(1)	\$ 653,465	12	\$ 557,733	10
1136	Financial assets at amortized cost - Current	4	48,298	1	31,079	1
1150	Net value of notes receivable	6, 6(2)	5,236	-	2,633	-
1170	Net value of accounts receivable	6, 6(2)	239,187	4	230,544	4
1180	Net accounts receivable - Related party	4, 7	98	-	3,681	-
1200	Other receivables	4, 6(3)	4,253	-	5,567	-
1220	Current tax assets	4	1,166	-	-	-
1310	Net inventory	4, 5(1), 6(4)	1,242,630	22	1,440,874	24
1410	Prepayments		9,138	-	8,250	-
	Total current asset		2,203,471	39	2,280,361	39
non-current assets						
1517	Financial assets at fair value through other comprehensive income	4	89,340	2	103,340	2
1535	Non-current financial assets at amortized cost	4	79,127	1	79,140	1
1550	Investment accounted for using the equity method	IV, VI (5)	269,020	5	283,645	5
1600	Property, Plant and Equipment	IV, V (2), VI (6), VIII, IX	2,996,579	52	2,976,273	50
1755	right-of-use asset	IV, VI (7)	20,832	-	12,409	-
1780	Intangible Assets	4	838	-	1,586	-
1840	Deferred tax assets	IV, V (3), VI (14)	38,033	1	32,558	1
1915	Prepayments for business facilities	IX	8,385	-	103,423	2
1920	Refundable deposits		18,833	-	19,335	-
1990	Other non-current assets		15,805	-	13,671	-
	Total non-current asset		3,536,792	61	3,625,380	61
1XXX Total assets			\$ 5,740,263	100	\$ 5,905,741	100

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd.

Parent Company Only Balance Sheet (II)

December 31, 2023 and 2022

Unit: Amounts expressed in thousands of New Taiwan Dollars

Liabilities and Shareholders' Equity		Note	2023/12/31 Amount	%	2022/12/31 Amount	%
Current liabilities						
2100	Short-term borrowings	VI (8), VIII	\$ 1,087,027	19	\$ 1,375,628	23
2110	Short-term notes and bills payable	VI (8), VIII	99,968	2	79,808	1
2150	Notes payable		83,793	1	47,648	1
2170	Accounts payable		189,929	3	165,433	3
2200	Other payables		87,406	2	148,753	3
2230	Current income tax liabilities	IV, VI (14)	-	-	41,729	1
2280	Lease liabilities - Current	IV, VI (7)	10,852	-	6,174	-
2320	Long-term liabilities due within 1 year	VI (8), VIII	264,722	5	114,053	2
2399	Other current liabilities		2,522	-	4,115	-
	Total current liabilities		1,826,219	32	1,983,341	34
non-current liabilities						
2540	Long-term borrowings	VI (8), VIII	1,217,850	21	1,109,995	19
2571	Deferred income tax liabilities - land appreciation tax	4	28,590	-	28,590	-
2572	Deferred income tax liabilities - income tax	IV, V (3), VI (14)	41,648	1	42,301	1
2580	Lease liabilities - Non-current	IV, VI (7)	10,112	-	6,289	-
2640	Net defined benefit liabilities - noncurrent	IV, V (4), VI (9)	1,053	-	877	-
2645	Deposits received		193	-	193	-
	Total non-current liabilities		1,299,446	22	1,188,245	20
2XXX	Total Liabilities		3,125,665	54	3,171,586	54
Equity		4, 6(10)				
3100	Capital stock		1,226,920	21	1,226,920	21
3200	Additional paid-in capital		167,271	3	167,271	3
	Retained earnings					
3310	Statutory reserves		591,824	10	575,067	10
3320	Special reserves		40,183	1	70,101	1
3350	undistributed earnings		646,348	12	734,979	12
3440	Other equities		(57,948)	(1)	(40,183)	(1)
3XXX	Total shareholders' equity		2,614,598	46	2,734,155	46
1XXX	Total liabilities and shareholders' equity		\$ 5,740,263	100	\$ 5,905,741	100

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd.
unconsolidated Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Unit: Amounts expressed
in thousands of New
Taiwan Dollars
(Earnings Per Share is in NTD)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4100	Operating income	4, 6 (11), 7	\$ 2,602,613	100	\$ 3,825,122	100
5110	Operating costs	6(4)	(2,498,143)	(96)	(3,476,033)	(91)
5900	Gross profit		104,470	4	349,089	9
	Operating expenses	6(12), 7				
6100	Selling expenses		(54,236)	(2)	(73,111)	(2)
6200	Administrative expenses		(71,522)	(3)	(93,723)	(3)
6300	Research and development expenses		(15,007)	-	(15,166)	-
6450	Expected loss (profit) on credit impairment	4, 6(2), (3)	3,631	-	(52,543)	(1)
	Subtotal of operating expenses		(137,134)	(5)	(234,543)	(6)
6900	Net operating income (loss)		(32,664)	(1)	114,546	3
	Non-operating income and expense					
7100	Interest revenue	4	15,281	1	6,313	-
7110	Rental income	4, 7	2,494	-	2,492	-
7130	Dividend income	4	1,884	-	10,129	-
7190	Other income	4, 7	26,162	1	36,901	1
7230	Net gain on foreign exchange	4	1,501	-	38,649	1
7375	Parts of profits from the subsidiaries, associated enterprises, and joint ventures recognized via the equity method	4, 6(5)	6,750	-	23,852	1
7510	Interest expenses		(42,381)	(2)	(27,441)	(1)
7590	Miscellaneous expenses		(19)	-	(6,915)	-
7610	Losses from Disposal of Property, Plant and Equipment	4	-	-	(4,343)	-
7635	Losses on financial assets at fair value through profit or loss	4	-	-	(2,124)	-
	Subtotal of non-operating incomes and expenses		11,672	-	77,513	2
7900	Profit (loss) before tax		(20,992)	(1)	192,059	5
7950	Income tax benefit (expense)	4, 6(14)	5,084	-	(24,489)	(1)
8200	Net income (loss)		(15,908)	(1)	167,570	4
	Other comprehensive income	6(13)				
	Items not reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit programs	6(9)	389	-	6,168	-
8316	Unrealized equity instrument profit or loss measured at fair value through other comprehensive income		(14,000)	(1)	9,764	-
8349	Income taxes related to the items not re-classified	6(14)	(78)	-	(1,233)	-
	Subtotal of items not subsequently reclassified to income		(13,689)	(1)	14,699	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of the financial statements of foreign operations		(5,095)	-	19,024	1
8399	Income tax related to items that may be reclassified	6(14)	1,019	-	(3,805)	-
	Subtotal of Items that may be reclassified subsequently to income		(4,076)	-	15,219	1
	Other comprehensive income in the current period (net amount after tax)		(17,765)	(1)	29,918	1
8500	Total comprehensive income in the current period		\$ (33,673)	(2)	\$ 197,488	5
	Earnings per Share	6(15)				
9750	Basic earnings (losses) per share		\$ (0.13)		\$ 1.37	

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd.

Unconsolidated Statement of Changes in Equity

For the Years Ended December 31, 2023 and 2022

Unit: Amounts expressed in thousands of New Taiwan Dollars
Other items of equity

Change Items	Common share capital	Additional paid-in capital	Retained earnings			Exchange differences on translation of the financial statements of foreign operations	Unrealized financial assets profit or loss measured at fair value through other comprehensive income		Remeasurement of defined benefit programs	Total equity
			Statutory reserves	Special reserves	undistributed earnings					
Balance as of January 1, 2022	\$ 1,202,863	\$ 167,271	\$ 543,303	\$ 70,531	\$ 779,172	\$ (22,453)	\$ (2,509)	\$ (45,139)	\$ 2,693,039	
2021 surplus distribution:										
Appropriated statutory surplus reserve	-	-	31,764	-	(31,764)	-	-	-	-	
Reversal of special reserve	-	-	-	(430)	430	-	-	-	-	
Distribution of cash dividends	-	-	-	-	(156,372)	-	-	-	(156,372)	
Stock dividends distribution	24,057	-	-	-	(24,057)	-	-	-	-	
Net profit for 2022	-	-	-	-	167,570	-	-	-	167,570	
Other comprehensive income for 2022	-	-	-	-	-	15,219	9,764	4,935	29,918	
Balance as of December 31, 2022	1,226,920	167,271	575,067	70,101	734,979	(7,234)	7,255	(40,204)	2,734,155	
2022 surplus distribution:										
Appropriated statutory surplus reserve	-	-	16,757	-	(16,757)	-	-	-	-	
Reversal of special reserve	-	-	-	(29,918)	29,918	-	-	-	-	
Distribution of cash dividends	-	-	-	-	(85,884)	-	-	-	(85,884)	
Net (loss) for 2023	-	-	-	-	(15,908)	-	-	-	(15,908)	
Other comprehensive income for 2023	-	-	-	-	-	(4,076)	(14,000)	311	(17,765)	
Balance as of December 31, 2023	\$ 1,226,920	\$ 167,271	\$ 591,824	\$ 40,183	\$ 646,348	\$ (11,310)	\$ (6,745)	\$ (39,893)	\$ 2,614,598	

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu Manager: Rong-Lih Yu Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd.
Parent Company Only Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: Amounts expressed in thousands of New Taiwan Dollars

Item	2023	2022
Cash flows from operating activities:		
Profit (loss) before tax for the period	\$ (20,992)	\$ 192,059
Adjustment items:		
Revenue expense items that do not affect cash flow		
depreciation expense	341,738	338,139
Amortization cost	4,133	8,313
Anticipated credit impairment loss (profit) amount	(3,631)	52,543
Net losses from financial assets and liabilities measured at FVTPL	-	2,124
Interest expenses	42,381	27,441
Interest revenue	(15,281)	(6,313)
Dividend income	(1,884)	(10,129)
Shares of losses (profits) from subsidiaries, associated enterprises, and joint ventures accounted for under the equity method	(6,750)	(23,852)
Losses (profits) from disposal and scrapping of property, plant, and equipment	-	4,343
Assets related to business activities / changes in liabilities		
Decrease (Increase) of notes receivable	(2,603)	32,716
Accounts receivable (increase) decrease	(5,012)	273,627
(Increase) decrease in accounts receivable - associates	3,583	(1,681)
Decrease (Increase) of other receivables	1,445	(4,719)
Inventory (increase) decrease	198,244	(233,872)
Prepayments (increase) decrease	(888)	67,677
Increase (decrease) of notes receivables	36,145	18,094
Increase (decrease) of accounts receivables	24,496	(154,592)
Increase (decrease) of other receivables	(60,969)	(23,054)
Increase (decrease) of other current liabilities	(1,593)	1,874
Increase (decrease) of net defined benefit liabilities	565	399
Cash in(out)-flows generated by business operation	533,127	561,137
Interest received	15,150	6,126
Dividends received	18,164	38,094
Interest paid	(41,925)	(26,445)
Income tax paid	(42,998)	(78,062)
Net cash inflow (outflow) from operating activities	481,518	500,850

(Continued next page)

Toung Loong Textile MFG. Co., Ltd.
Parent Company Only Statement of Cash Flows
For the Years Ended December 31, 2023 and 2022

(Previous Page)

Item	2023	2022
Cash flows from investing activities:		
(Increase) decrease in financial assets at FVTOCI	-	(767)
(Increase) decrease in financial assets measured at amortized cost	(17,206)	(35,268)
(Increase) decrease of financial assets at FVTPL	-	7,928
Acquisition of property, plant and equipment	(352,110)	(471,469)
Disposal of property, plant and equipment	-	80
(Increase) decrease in refundable deposits	502	(2,231)
Acquisition of Intangible Assets	(186)	(420)
(Increase) decrease in the other noncurrent assets	(5,333)	(2,515)
(Increase) decrease of prepayments for equipment	95,038	(50,130)
Net cash inflow (outflow) from investing activities	(279,295)	(554,792)
Cash flows from financing activities		
(Increase) decrease in short-term borrowings	(288,601)	483,883
(Increase) decrease in short-term notes payable	20,160	(180,130)
Borrowing (repaying) long-term loans	258,524	(100,038)
Cash dividends paid	(85,884)	(156,372)
Repaid principal of lease	(10,690)	(5,385)
Net cash inflow (outflow) from financing activities	(106,491)	41,958
Net increase (decrease) in cash and equivalent cash for the current period	95,732	(11,984)
Cash and cash equivalents at the beginning of the year	557,733	569,717
Cash and cash equivalents at the end of the year	\$ 653,465	\$ 557,733

Accompanying notes are part of the Parent Company Only Financial Statements
(please refer to the CPA audit report of Toppest CPAs & Co. dated March 13, 2024)

Chairman: Chih-Chen Yu

Manager: Rong-Lih Yu

Accounting Officer: Tai-Chen Chen

Toung Loong Textile MFG. Co., Ltd.
Notes to Unconsolidated Financial Statements
For the Years Ended December 31, 2023 and 2022
(Amounts are in NTD thousand unless otherwise specified)

I. Company History

Toung Loong Textile MFG. Co., Ltd. (Hereafter "the Company") was established on August 14, 1961, according to the Company Act of the Republic of China. Its business operations include:

- (1) Textile industry.
- (2) Woven fabric industry.
- (3) Non-woven fabric industry.
- (4) Printing and dyeing industry.
- (5) Garment industry.
- (6) Clothing and accessories manufacturing industry.
- (7) Other textile and product manufacturing industries.
- (8) Man-made fiber manufacturing industry.
- (9) Textiles, clothing, shoes, hats, umbrellas, and clothing accessories wholesale industry.
- (10) Textiles, clothing, shoes, hats, umbrellas, and clothing accessories retail industry.
- (11) International trade industry.

The Company's shares were listed on Taipei Exchange for trading on May 9, 1996.

This Parent Company Only Financial Report is presented in the Company's functional currency of "New Taiwan Dollar" (NTD or NT\$) as the expression currency.

II. Financial report approval date and procedure.

The Board of Directors passed the Parent Company Only Financial Report on March 13, 2024.

III. Application of New and Amended Standards and Interpretations

- (I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC), and the statements of interpretation (SIC) (hereafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (FSC) is applied for the first time.

Applying the IFRSs recognized and issued by the FSC will not cause major changes in the Company's accounting policies.

(II) Applicable IFRSs recognized by the FSC in 2024

New, Revised or Amended Standards and Interpretations		Effective Date Announced by IASB
Amendments to IFRS No. 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS No. 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS No. 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement	January 1, 2024

As of the release date of this parent company only financial report, the Company has assessed that the amendments to the preceding standards and interpretations did not significantly impact the financial status and performance of the parent company.

(III) The IASB has issued, but the FSC has not yet approved it or issued effective IFRSs.

New, Revised or Amended Standards and Interpretations		Effective Date Announced by IASB
Amendments to IFRS No 10 and IAS No. 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates	To be determined by IASB
IFRS No. 17	Insurance Contracts	January 1, 2023
Amendments to IFRS No. 17	Insurance Contracts	January 1, 2023
Amendments to IFRS No. 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 release date of this parent company only financial report, the Company has continued to assess the impact of the preceding standards and interpretations on the parent company's individual financial conditions and performance, and the relevant impact shall disclosed when the assessment is completed.

IV. Summary of Significant Accounting Policies

A summary of the important accounting policies adopted in this individual financial report is as follows:

(I) Statement of Compliance

This Parent Company Only Financial Report has been prepared according to the "Rules Governing the Preparation of Financial Statements by Securities Issuers."

(II) Basis of Preparation

This Parent Company Only Financial Report has been prepared on a historical cost basis except for the financial instruments measured at fair value. The net defined benefit liabilities recognized at the present value of defined benefit obligations are less the fair value of planned assets. Historical cost is usually determined based on the fair value of the consideration paid to acquire the asset.

The Company has adopted the equity method for investment subsidiaries, affiliated enterprises, or joint control systems when it prepares individual financial reports. The current income, other comprehensive income, and equity in this Parent Company Only Financial Report are the same as the current income, other comprehensive income, and equity attributable to the owner of the Company in the Company's Consolidated Financial Report. There is no difference in accounting treatment between the parent company only basis and the consolidated basis.

(III) Foreign Currency

For transactions in currencies other than the functional currency (foreign currency) when preparing the Parent Company Only Financial Report, the original recognition is recorded in the functional currency based on the exchange rate on the transaction date.

At the end of each reporting period, foreign currency monetary items are retranslated at the closing exchange rate on that day. The resulting exchange difference is listed as current income.

Foreign currency non-monetary items measured by fair value are reconverted at the exchange rate when the fair value is determined. The resulting exchange difference is listed as current income. If the change in fair value is listed as other comprehensive income, the resulting exchange difference is listed as other comprehensive income.

Non-monetary items carried at historical cost is reported using the exchange rate at the date of the transaction and will not calculated again.

(IV) Criteria for Distinguishing Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents (except that there are restrictions on exchanging the assets or using them to settle liabilities within 12 months after the reporting period); assets held mainly for trading purposes; and assets expected to be realized within 12 months of the reporting period or assets expected to be realized, sold, or consumed during the normal business cycle. Assets that are not current assets are non-current.

Current liabilities include liabilities held primarily for trading purposes, liabilities that are expected to be due and settled within 12 months after the reporting period, liabilities that are expected to be settled in its normal business cycle, and liabilities for which settlement cannot be unconditionally deferred for at least 12 months after the reporting period. Liabilities that are not current liabilities are non-current.

(V) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank demand deposits, and short-term as well as highly liquid investment items that can be converted into fixed cash at any time with little risk of value change.

(VI) Financial Instruments

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

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

1. Measurement Types

When purchasing or selling financial assets according to customary transactions, the accounting treatment for derivative products shall be conducted on the delivery date, and the accounting treatment for other financial assets shall be conducted on the transaction date.

The Company's holding of financial assets is measured at FVTPL, financial assets are measured at amortized cost, and equity investments are measured at FVTOCI.

(1) Financial assets measured at FVTPL

Financial assets measured at FVTPL include those mandatorily measured at FVTPL and those designated to be measured at FVTPL. Financial assets measured at FVTPL include investments in equity instruments not designated by the Company as measured at FVTOCI and investments in debt instruments not classified as measured at amortized cost or FVTOCI.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement (including any dividends or interest earned on the financial assets) shall be recognized as income. Please refer to Note 12 (1) of the Parent Company Only Financial Report for details on the fair value determination method.

(2) Financial Assets Measured at Amortized Cost

When the financial assets invested by the Company satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

- A. The financial assets are held within a business model whose objective is to collect the contractual cash flows; and
- B. The contractual terms of equity instruments give rise on specified dates to cash flows that are solely principal payments and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at an amortized cost equal to the net gross carrying amount determined using the effective interest method, less impairment loss. Any foreign exchange gains or losses arising therefrom are recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of the effective interest rate times the gross carrying amount of financial assets:

- A. For purchased or originated credit-impaired financial assets, interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- B. For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortized cost balance of such financial assets.

(3) Investments in equity instruments measured at FVTOCI.

Upon initial recognition, the Company may irrevocably designate investments in equity instruments not held for trading and not recognized as the contingent consideration of business combination as measured at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Company's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

2. Financial Asset Impairment

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

A loss allowance for accounts and lease receivables is provided based on their full lifetime expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

3. Derecognition of Financial Assets

Financial assets held by the Company are derecognized when one of the following conditions is met:

- (1) Contractual rights from the cash flow of financial assets have lapsed.**
- (2) A financial asset is transferred, and ownership's risks and rewards are substantially transferred to another person.**
- (3) Substantially, all the risks and rewards of asset ownership are neither transferred nor retained, but the control of the asset is transferred.**

When a financial asset is fully derecognized, the difference between its book value and the sum of the consideration receivable or received plus any accumulated income recognized in other comprehensive profit or loss shall be recognized as income.

If the transferred asset is part of a larger financial asset, and the transferred part qualifies as fully derecognized, the Company shall apportion the original book value of the financial asset and the accumulated gains or losses recognized in other comprehensive income to each of these parts based on the relative fair value of the continuously recognized part and the derecognized part on the date of transfer. The difference between the carrying amount allocated to the derecognized component and the sum of the consideration received for the component plus any cumulative gain or loss allocated to the derecognized component recognized in other consolidated income is recognized as income.

4. Financial Liabilities

(1) Classification and Subsequent Evaluation

The Company classifies its issuance of liabilities and financial instruments as financial liabilities or equities according to the definition of financial liabilities and equity instruments, as well as the contractual substance.

Financial liabilities measured at amortized cost, including payables

and loans, are subsequently measured using the effective interest rate method after original recognition. When a financial liability is derecognized and amortized through the effective interest rate method, its related income and amortization amount is recognized in income.

The calculation of amortized cost shall consider the discount or premium at the time of acquisition and transaction costs.

(2) Derecognition of Financial Liabilities

When the obligations of financial liabilities are discharged, canceled, or expire, the financial liabilities are derecognized.

When the Company and the creditor exchange debt instruments with materially different terms or make major changes to all or part of the terms of existing financial liabilities (whether due to financial difficulties or not), it shall be handled by derecognizing the original liabilities and recognizing the new liabilities. When derecognizing a financial liability, the difference between its carrying amount and the total consideration paid or payable (including transferred non-cash assets or assumed liabilities) shall be recognized in income.

(VII) Inventories

Inventories include raw materials, supplies, finished goods, and work in progress. Inventories are recorded based on acquisition costs, and the cost carry-forwards are calculated using the monthly weighted average method.

Inventories are evaluated at a lower cost and net realizable value. The cost and net realizable value comparison are based on individual items except for inventories of the same category. Net realizable value refers to the estimated selling price under normal circumstances after deducting the estimated costs to be invested in completion and sales expenses.

(VIII) Investments Accounted for Using Equity Method

The Company uses the equity method to handle investments in subsidiaries and related companies.

1. Investment in Subsidiaries

Subsidiaries are entities which the Company holds the control of.

Investment in subsidiaries is initially recognized at a cost under the equity method. The book value after the acquisition shall increase or decrease with the Company's share of the subsidiary's income and other comprehensive income and distribution. In addition, the Company also recognizes its share in the changes in equities of subsidiaries.

Unrealized profit and loss from downstream transactions with a subsidiary are eliminated in the parent company only financial statements. Profit and loss from upstream and sidestream transactions between subsidiaries are recognized in the Company's parent company only financial statements only to

the extent that interests in the subsidiary are not related to the Company.

2. Investments in Associate Enterprises

Associated enterprises are those over which the Company has significant influence but are not subsidiaries or joint venture interests.

The Company's investments in the associates are accounted for using the equity method. Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The Company also recognizes its share in the changes in equities of associates.

When associated enterprises issue new shares if the Company does not subscribe in proportion to its shareholding, resulting in a change in the shareholding ratio and thus an increase or decrease in the net equity value of the investment, the increase or decrease shall adjust the capital reserve and investments using the equity method. If the shareholding ratio is not subscribed or acquired, resulting in a decrease in the ownership interest in the associated enterprises, the amount related to the associated enterprises recognized in other comprehensive profit or loss is reclassified according to the decrease ratio. The basis of its accounting treatment is the same as that which must be followed if the associated enterprises directly dispose of the relevant assets or liabilities. Suppose the adjustment in the preceding paragraph must be debited to the capital reserve, and the balance of the capital reserve generated by the investment using the equity method is insufficient. In that case, the difference shall be debited to the retained surplus.

When assessing impairment, the Company regards the overall carrying amount of the investment (including goodwill) as a single asset comparable to the recoverable amount with the carrying amount to perform impairment testing. The recognized impairment loss is also part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. Income generated from upstream, downstream, and sidestream transactions between the Company and affiliated enterprises shall be recognized in the Company's Parent Company Only Financial Report only to the extent that interests in the affiliated enterprises are unrelated to the Company.

(IX) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost less than accumulated depreciation and impairment losses. Cost refers to the fair value of the cash, cash equivalent, or other consideration paid for the acquisition or construction of the asset as well as the estimated cost of dismantling and removal. When the useful lives of significant property, plant, and equipment components are different, they are treated as separate items of property, plant, and equipment.

Depreciation is calculated from the asset's cost (or other amount substituted for cost) less its salvage value using the straight-line method over the estimated useful lives of the individual parts of an item of property, plant, and equipment. Assets

held under finance leases are depreciated on the same basis as self-owned assets, and are depreciated over their expected useful lives. If the relevant lease period is shorter, depreciation is provided during the lease period.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	3-55 years
Machinery and equipment	2-15 years
Office and other equipment	3-50 years

The estimated useful life, salvage value, and depreciation method are reviewed at the end of the reporting period; any estimated change's impact is treated as an accounting estimate revision.

Costs incurred in replacing a part of an item of property, plant, and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits of that part will flow to the individual company. The book value of the reset part is then derecognized. Routine maintenance costs of property, plant, and equipment are recognized in income as incurred.

The profit or loss arising from the disposal or scrapping of property, plant, and equipment is determined by the difference between the disposal price and the book value. The net amount shall be recognized as non-operating income and expenses under income.

(X) Lease

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

1. The Company as the Lessor

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

When the Company subleases the right-of-use asset, it shall judge the sublease classification based on the right-of-use asset (not the underlying asset). However, if the main lease is a short-term lease for which the Company applies the recognition exemption, the sublease is classified as an operating lease.

During lease operations, lease payments are recognized as income on a straight-line basis over the relevant lease term.

2. The Company as the Lessee

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

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, lease payments less the lease incentives

received before the commencement date of the lease, original direct costs, and the estimated cost of restoring the underlying asset). It is subsequently measured at the cost less accumulated depreciation and accumulated impairment losses, and the remeasurement amount of the lease liability shall be adjusted. Right-of-use assets are presented separately in the balance sheet.

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.

The lease liability is originally measured at the present value of the lease payments. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented separately on the Asset Balance Sheet.

Variations in lease agreements that do not depend on an index or rate are recognized as an expense in the period incurred.

(XI) Intangible Assets

Acquired intangible assets with a finite useful life are measured at a cost less than accumulated amortization and impairment losses. The amortization amount is accrued using the straight-line method based on the useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the impact of any estimated change is treated as an accounting estimate revision.

Acquired intangible assets with indefinite useful lives are listed at cost less the accumulated impairment losses.

(XII) Impairment of Tangible and Intangible Assets

The Company checks the book value of tangible and intangible assets with a limited useful life at the end of each reporting period to determine whether there is any sign of impairment. If there is any impairment, an impairment test shall be executed to estimate the asset's recoverable amount and determine whether the impairment should be denied. Impairment tests are conducted regularly and annually for intangible assets with no definite lifespan. If it is impossible to estimate the recoverable amount of individual assets, then estimate the recoverable amount of the cash-generating unit to which the asset belongs. If shared assets can be allocated reasonably and consistently, they shall be allocated to individual cash-generating units. Otherwise, they shall be allocated to the smallest group of cash-generating units reasonably and consistently.

The recoverable amount is the higher fair value, less the disposal cost and value in use. When determining value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks that have not been used to adjust future cash flow estimates.

Suppose the recoverable amount of an asset or cash-generating unit is expected to be lower than the carrying amount. In that case, the carrying amount shall be reduced to its recoverable amount, and the impairment loss shall be recognized immediately in the current loss. If the recoverable amount increases due to changes in the estimate of the recoverable amount in the subsequent period, the book value of the asset or cash-generating unit shall be adjusted to the revised estimated recoverable amount. However, the increased carrying amount must not exceed the amount that would have been recognized had the asset or cash-generating unit not recognized an impairment loss in previous years. The reversed impairment loss must be recognized as the current profit.

(XIII) Liability Reserve

When the Company has a present obligation (statutory or constructive) due to past events, the obligation must probably be settled. The liability provision is recognized when the obligation amount can be estimated reliably.

The amount recognized as a liability reserve is the best estimate of what will be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties of the obligation. If the liability reserve is measured as the estimated cash flows to settle the present obligation, its book value is the present value of those cash flows.

(XIV) Termination Benefits

For a defined appropriation plan, the pension amount that must be appropriated during the employee's service period is recognized as current expenses.

For a retirement plan with defined benefits, the cost of defined benefits shall be recognized according to the actuarial results. The cost of providing benefits is determined using the projected unit benefit method and is actuarially valued at the end of the reporting period. Actuarial income is fully recognized immediately during the period of occurrence and included in other comprehensive income in the consolidated income table.

(XV) Income Tax

Income tax expense includes current and deferred income tax. Items directly recognized in equity or other comprehensive income, current income tax, and deferred income tax shall be recognized in income except for those related to individual enterprises.

1. Income tax of the current period

Current income tax shall include the estimated income tax payable or tax rebate receivable calculated at the statutory tax rate or substantive legislative tax rate on the reporting date for the current year's taxable income (loss) and any adjustments to the income tax payable in the previous years.

Income tax on the undistributed earnings calculated according to the Income Tax Act provisions shall be listed as the current income tax in the shareholders meeting resolution year.

2. Deferred income tax

Deferred income tax is measured and recognized based on the temporary differences between the carrying amount of assets and liabilities on the reporting date and their tax bases. Deferred income tax assets shall be recognized when there is likely to be taxable income available to deduct the temporary differences. Deduction of losses or income tax deductions from purchasing machinery and equipment, R&D, and personnel training are recognized when utilized. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

- (1) Non-enterprise entity assets or liabilities originally recognized in transactions that do not affect the accounting profit and taxable income (loss) at the time of the transaction.
- (2) Those arising from investment in subsidiaries and affiliated enterprises, which are likely unreversible in the foreseeable future.
- (3) Original recognition of goodwill.

Deferred income tax is measured at the tax rate expected to be realized when the asset is realized, or the liability is settled. It shall be based on the statutory or substantive legislative tax rates at the reporting date. The deferred income tax liability and asset measurement reflect the tax effect produced by how the enterprise expects to recover or pay off the book value of its assets and liabilities on the reporting date.

For unused tax losses and unused income tax credits carried forward later and temporary deductible differences, they are recognized as a deferred income tax asset to the extent that the taxable income is likely to be available for use. It shall be reassessed on each reporting date and adjusted to the extent that the relevant income tax benefits are unlikely to be realized.

Income tax expenses directly recognized in equity items or other comprehensive profit and loss items are measured at the applicable tax rate when the temporary difference between the carrying amount of the relevant assets and liabilities on the reporting date and their tax base is expected to be realized or liquidated.

(XVI) Income Recognition

Revenue is measured by the consideration to which goods are transferred and to which they are expected to be entitled. The Company shall recognize revenue when the control of goods is transferred to clients to satisfy performance

obligations.

1. Merchandise Sales

The Company recognizes revenue when control of the product is transferred to the customer. The transfer of control for the product means that the product has been delivered to the customer, and no outstanding obligations would affect the customer's acceptance of the product. Delivery is the point at which the customer has accepted the product according to the transaction conditions, the risk of obsolescence and loss has been transferred to the customer, and the Company has objective evidence that all acceptance conditions have been met.

The Company recognizes accounts receivable when the goods are delivered because the Company has an unconditional right to consideration at that point.

2. Labor Income

When the transaction result of the labor services provision can be reasonably estimated, the labor service income is recognized using the percentage-of-completion method. When the transaction result of the labor services provision cannot be reasonably estimated, the revenue is only recognized within the recoverable range of the incurred costs.

3. Financial Components

The Company expects that the time interval between the transfer of goods or services to the customer and the time between the customer's payment for the goods or services shall not exceed one year. Therefore, the Company does not adjust the time value of money in the transaction price.

(XVII) Government Grants

The Company can only recognize government grants when it reasonably believes that the conditions attached to the government grants will be followed and the grants will be received according to IAS No. 20 "Accounting for Government Grants and Disclosure of Government Assistance."

Government grants related to assets are recognized as deferred income and current income on a straight-line basis within the expected useful life of the relevant assets. For government grants related to expenses, government grants are recognized as current income systematically when the relevant expenses are incurred. If the government grant is used to compensate the expenses or losses incurred or provide financial support without future related costs, it is recognized in income during the period in which it can be received.

(XVIII) Operating Department Report

An operating department is a constituent unit of an individual company. It engages in business activities that may generate incomes or incur expenses (including incomes or expenses arising from transactions with other constituent units in the enterprise). The operating results of the operating departments are

regularly reported to individual company operating decision makers for review, to make resource allocation decisions, and evaluate departmental performance.

V. Major Sources of Uncertainty in Major Accounting Judgments, Estimates, and Assumptions

The Company's Parent Company Only Financial Report and financial results are affected by accounting policies, assumptions, and estimates. Accounting assumptions and estimates are based on experience and other relevant factors, and the management makes appropriate professional judgments.

The following is information about future assumptions and other major sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

(I) Depreciation of Inventories

The net realizable value of inventories is the estimated selling price in the normal course of business minus the estimated cost to complete the project and the estimated cost required to complete the sale. These estimates are evaluated based on current market conditions and historical sales experience of similar products, and changes in market conditions may significantly affect the results of these estimates.

(II) Asset Impairment Assessment

During the asset impairment assessment process, the Company must estimate the expected future cash flow generated by a specific asset (asset group) based on the subjective judgment of the asset utilization mode and industry characteristics and determine the appropriate discount rate to calculate the asset's value in use. Any changes in estimates due to changes in economic conditions or corporate strategy could result in significant asset impairment in the future.

(III) Realization of Deferred Income Tax Assets

Deferred income tax assets are recognized only when it is likely that future taxable income will be sufficient to offset deductible timing differences. Assessment of the realizability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax-exempt duration, available tax credits, tax planning, etc. Any changes in the global economy, industry, laws, and regulations might cause material adjustments to deferred income tax assets.

(IV) Calculation of Accrued Pension Liabilities

The Company must use judgments and estimates to determine the relevant actuarial assumptions at the end of the financial reporting period, including the

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

discount rate and the expected return rate on project assets, when calculating the present value of a defined benefit obligation. Any change in actuarial assumptions may significantly impact the Company's defined benefit obligations.

VI. Description for Important Accounting Subjects

(I) Cash and Cash Equivalents

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash	\$ 1,250	\$ 1,439
Cash in banks	507,902	448,809
Time deposit	<u>144,313</u>	<u>107,485</u>
Total	<u><u>\$ 653,465</u></u>	<u><u>\$ 557,733</u></u>

The time deposit's original maturity date is within 3 months and is intended for short-term cash commitment rather than investment or other purposes. It is listed in cash and equivalent cash because it can be converted into fixed cash at any time, and the risk of value change is very low.

(II) Notes Receivable and Net Accounts Receivable

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total of notes receivable	\$ 5,236	\$ 2,633
Less: Allowance for loss	<u>-</u>	<u>-</u>
Net amount	<u><u>\$ 5,236</u></u>	<u><u>\$ 2,633</u></u>
Total of accounts receivable	\$ 240,608	\$ 235,596
Less: Allowance for loss	<u>(1,421)</u>	<u>(5,052)</u>
Net amount	<u><u>\$ 239,187</u></u>	<u><u>\$ 230,544</u></u>

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

1. Notes receivable

The age analysis of notes receivable is as follows:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not Overdue	<u>\$ 5,236</u>	<u>\$ 2,633</u>

2. Accounts Receivable

The Company has no collateral or other credit enhancements and lacks a statutory right of set-off to offset accounts receivable and accounts payable to the same counterparty.

(1) The expected credit loss analysis of accounts receivable is as follows:

To measure expected credit losses over time, the Company adopts a simplified approach to estimate expected credit losses for all accounts receivable. The expected credit loss rate is determined for this purpose by the number of days overdue accounts receivable, which has been included in the prospective information. The expected credit loss analysis of the Company's accounts receivable is as follows:

December 31, 2023

<u>Items</u>	<u>Book amount of accounts receivable</u>	<u>Weighted average of expected credit loss rate</u>	<u>Expected credit losses during the allowance period</u>
Not Overdue	\$ 224,876	0.35%	\$ 792
Overdue			
Less than 30 days	14,920	2.84%	424
31 ~ 60 days	744	20.97%	156
61 ~ 90 days	68	72.06%	49
Over 91 days	<u>-</u>	100.00%	<u>-</u>
Total	<u>\$ 240,608</u>		<u>\$ 1,421</u>

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

December 31, 2022

Items	Book amount of accounts receivable	Weighted average of expected credit loss rate	Expected credit losses during the allowance period
Not Overdue	\$ 192,838	0.20%	\$ 386
Overdue			
Less than 30 days	37,466	1.80%	674
31 ~ 60 days	1,276	14.18%	181
61 ~ 90 days	405	49.38%	200
Over 91 days	<u>3,611</u>	100.00%	<u>3,611</u>
Total	<u>\$ 235,596</u>		<u>\$ 5,052</u>

3. Changes in allowance for losses of accounts receivable

Item	2023	2022
Beginning retained earnings	\$ 5,052	\$ 2,681
Recognition of impairment loss (rebound profit)	<u>(3,631)</u>	<u>2,371</u>
Balance on December 31	<u>\$ 1,421</u>	<u>\$ 5,052</u>

(III) Other Receivables

Item	December 31, 2023	December 31, 2022
Other receivables	\$ 54,425	\$ 55,739
Less: Allowance for loss	<u>(50,172)</u>	<u>(50,172)</u>
Net amount	<u>\$ 4,253</u>	<u>\$ 5,567</u>

As of both December 31, 2023 and 2022, the advance payment to Nylstar S.L. under other receivables amounted to NT\$50,172 thousand. Due to the company's failure to deliver on time and its subsequent application for bankruptcy to the Spanish government in 2023, the uncertainty of recovery is extremely high. Therefore, 100% expected credit losses were recognized.

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

(IV) Net Inventory

Item	December 31, 2023	December 31, 2022
Raw materials	\$ 80,045	\$ 71,857
Materials	32,932	42,725
Work in progress	357,037	303,262
Finished good	816,993	1,065,304
Inventory in transit	-	1,380
Total	1,287,007	1,484,528
Less: Allowance for depreciation losses	(44,377)	(43,654)
Net amount	\$ 1,242,630	\$ 1,440,874

The relevant details of the Company's recognized inventory costs are as follows:

Item	2023	2022
Cost of inventory sold	\$ 2,497,419	\$ 3,466,907
Inventory valuation decline (gain)	724	9,126
Total	\$ 2,498,143	\$ 3,476,033

(V) Investments Accounted for Using Equity Method

The details of the Company's investment using the equity method are as follows:

Item	December 31, 2023	December 31, 2022
Investment in subsidiaries	\$ 269,020	\$ 283,645

Investment in subsidiaries

Item	December 31, 2023	December 31, 2022
Private entity		
Lung Hsiang Hsing Int'l Co., Ltd.	\$ 9,484	\$ 10,821
Sarah Global Co., Ltd.	29,226	33,684
Vietnam SARAH Company	89,339	85,793
Toung Loong Textile MFG. Vietnam	99,156	103,266
	41,815	50,081
Total	\$ 269,020	\$ 283,645

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

The Company's ownership interest and voting rights percentages in subsidiaries at the balance sheet date are as follows:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Private entity		
Lung Hsiang Hsing Int'l Co., Ltd.	66.67%	66.67%
Sarah Global Co., Ltd.	100.00%	100.00%
Vietnam SARAH Company	100.00%	100.00%
Toung Loong Textile MFG. Vietnam	66.67%	66.67%
SUN BEAM GLOBAL ENTERPRISE CO., Ltd	100.00%	100.00%

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Details on share of profits or losses and other comprehensive income of subsidiaries accounted for using equity method for 2023 and 2022 are as follows:

Item	2023	2022
Lung Hsiang Hsing Int'l Co., Ltd.	\$ (1,337)	\$ (451)
Sarah Global Co., Ltd.	1,551	7,229
Vietnam SARAH Company	6,037	15,388
Toung Loong Textile MFG. Vietnam	8,851	9,911
SUN BEAM GLOBAL ENTERPRISE CO., Ltd	(8,352)	(8,225)
Total	\$ 6,750	\$ 23,852

Among the preceding share of subsidiaries' income using the equity method, Vietnam SARAH Company and Toung Loong Textile MFG. (Vietnam) were evaluated based on financial reports audited by other accountants during the same period.

(VI) Property, plant, and equipment

The details of the changes in the cost, depreciation, and impairment loss of the property, plant, and equipment of the Company in 2023 and 2022 are as follows:

Item	Land	Buildings	Machinery and equipment	Office and other equipment	Incomplete construction and equipment to be accepted	Total
Cost or recognized cost:						
Balance as of January 1, 2023	\$ 802,879	\$ 1,488,883	\$ 3,836,330	\$ 737,866	\$ 88,484	\$ 6,954,442
Additions	-	620	156,203	32,632	162,093	351,548
Disposal	-	-	(12,961)	(3,341)	-	(16,302)
Reclassification	-	-	-	5,815	(5,815)	-
Balance as of December 31, 2023	\$ 802,879	\$ 1,489,503	\$ 3,979,572	\$ 772,972	\$ 244,762	\$ 7,289,688

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Balance as of January 1, 2022	\$ 661,181	\$ 1,491,833	\$ 3,787,041	\$ 726,746	\$ -	\$ 6,666,801
Additions	127,530	-	181,841	69,405	92,693	471,469
Disposal	-	(6,387)	(132,552)	(58,521)	-	(197,460)
Reclassification	14,168	3,437	-	236	(4,209)	13,632
Balance as of December 31, 2022	<u>\$ 802,879</u>	<u>\$ 1,488,883</u>	<u>\$ 3,836,330</u>	<u>\$ 737,866</u>	<u>\$ 88,484</u>	<u>\$ 6,954,442</u>

Depreciation and impairment loss:

Balance as of January 1, 2023	\$ -	\$ 580,702	\$ 2,905,586	\$ 491,881	\$ -	\$ 3,978,169
Depreciation expense	-	44,246	234,954	52,042	-	331,242
Disposal	-	-	(12,961)	(3,341)	-	(16,302)
Reclassification	-	-	-	-	-	-
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 624,948</u>	<u>\$ 3,127,579</u>	<u>\$ 540,582</u>	<u>\$ -</u>	<u>\$ 4,293,109</u>

Item	Land	Buildings	Machinery and equipment	Office and other equipment	Incomplete construction and equipment to be accepted	Total
Depreciation and impairment loss:						
Balance as of January 1, 2022	\$ -	\$ 541,751	\$ 2,793,267	\$ 503,359	\$ -	\$ 3,838,377
Depreciation expense	-	45,338	240,493	46,998	-	332,829
Disposal	-	(6,387)	(128,174)	(58,476)	-	(193,037)
Reclassification	-	-	-	-	-	-
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 580,702</u>	<u>\$ 2,905,586</u>	<u>\$ 491,881</u>	<u>\$ -</u>	<u>\$ 3,978,169</u>

Book value:

Balance as of December 31, 2023	<u>\$ 802,879</u>	<u>\$ 864,555</u>	<u>\$ 851,993</u>	<u>\$ 232,390</u>	<u>\$ 244,762</u>	<u>\$ 2,996,579</u>
Balance as of December 31, 2022	<u>\$ 802,879</u>	<u>\$ 908,181</u>	<u>\$ 930,744</u>	<u>\$ 245,985</u>	<u>\$ 88,484</u>	<u>\$ 2,976,273</u>

- As of December 31, 2023 and 2022, some property, plant, and equipment have been provided to financial institutions as collateral for loans. Please refer to the description for pledged assets in Note 8 of the Parent Company

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Only Financial Report.

2. The following are the capitalization details of the Company's interests transferred to property, plant, equipment, and prepaid equipment:

<u>Item</u>	<u>2023</u>	<u>2022</u>
Interest capitalized amount	<u>\$ 3,071</u>	<u>\$ 1,878</u>

(VII) Lease Agreements

1. Right-of-use Assets

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying value of the right-of-use asset		
Land	\$ 11,048	\$ -
Transportation Equipment	9,784	12,409
Total	<u>\$ 20,832</u>	<u>\$ 12,409</u>

<u>Items</u>	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	\$ 18,919	\$ 11,744
Depreciation expense of right-of-use assets		
Land	\$ 3,191	\$ -
Transportation Equipment	7,305	5,310
Total	<u>\$ 10,496</u>	<u>\$ 5,310</u>
Sublease income of right-of-use assets	<u>\$ -</u>	<u>\$ -</u>

2. Lease Liabilities

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	\$ 10,852	\$ 6,174
Non-current	<u>\$ 10,112</u>	<u>\$ 6,289</u>

3. Other Lease Information

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

<u>Items</u>	<u>2023</u>	<u>2022</u>
Interest expenses on lease liabilities	\$ 272	\$ 116
Expenses attributable to short-term lease	\$ 6,207	\$ 11,750
Expenses attributable to low-value assets	\$ 120	\$ 98
Total cash outflow for leases	\$ 7,246	\$ 15,050

(VIII) Borrowings

1. Short-term bank loans

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Procurement loan	\$ 7,027	\$ 37,628
Mortgage loan	580,000	558,000
Credit loans	500,000	780,000
Total	\$ 1,087,027	\$ 1,375,628

The bank loan interest rate is the generally prevailing interest rate of the bank.

2. Short-term notes and bills payable

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Banker's acceptance bill	\$ 100,000	\$ 80,000
	(32)	(192)
Less: Discount on bank acceptance bills payable		
Total	\$ 99,968	\$ 79,808

3. Long-term bank loans and long-term liabilities due within 1 year

December 31, 2023

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
Mega Bank	Mortgage loan	\$ 13,125	2019.07.04 ~ 2024.07.04		Land and plant	Installment repayments
(Banqiao Branch)						
"	"	42,000	2017.06.22 ~ 2027.06.22	Floating rate	"	"
Taiwan Cooperative Bank	"	309,180	2020.03.23 ~ 2038.03.23		"	"
(Puqian Branch)						
"	"	144,000	2020.12.31 ~ 2026.12.15		Machinery and equipment	"
"	"	99,900	2023.04.14 ~ 2024.12.31		Land and plant	Repayment due
"	"	92,676	2023.10.11 ~ 2024.12.31		"	"
The Export-Import Bank of R.O.C.	Credit loans	106,667	2020.08.17 ~ 2026.08.15		None	Installment repayments
"	"	150,000	2023.01.18 ~ 2028.01.18		"	"
Hua Nan Bank	"	45,111	2020.05.15 ~ 2026.05.15		"	"
(Puqian Branch)						
Bank of Taiwan	"	51,556	2020.05.15 ~ 2026.05.15		"	"
(Huajiang Branch)						
Chang Hwa Bank	"	14,667	2020.09.15 ~ 2026.09.15		"	"
(Wanhua Branch)						
"	"	88,000	2020.09.15 ~ 2026.09.15		"	"
Mega Bank	"	40,000	2021.02.08 ~ 2027.01.15		"	"
(Banqiao Branch)						

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
"	"	85,690	2021.04.20 ~ 2027.04.15		"	"
Taipei Fubon Bank (Zhubei Branch) (Note)	"	200,000	2023.09.05 ~ 2025.05.24		"	Repayment due
Total		1,482,572				
Less: Current portion of long-term borrowings		(264,722)				
		\$				
Long-term loans due after 1 year		<u>1,217,850</u>				

December 31, 2022

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
Mega Bank (Banqiao Branch)	Mortgage loan	\$ 30,625	2019.07.04 ~ 2024.07.04		Land and plant	Installment repayments
"	"	54,000	2017.06.22 ~ 2027.06.22		"	"
Chang Hwa Bank (Wanhua Branch)	"	15,680	2018.12.17 ~ 2023.17.12		Machinery and equipment	"
"	"	6,600	2018.12.17 ~ 2023.17.12	Floating rate	None	"
Taiwan Cooperative Bank (Puqian Branch)	"	325,453	2020.03.23 ~ 2038.03.23		Land and plant	"
"	"	144,000	2020.12.31 ~ 2026.12.15		Machinery and equipment	"
The Export-Import Bank of R.O.C.	Credit loans	120,000	2020.08.17 ~ 2026.08.15		None	"
Hua Nan Bank (Puqian Branch)	"	56,000	2020.05.15 ~ 2026.05.15		"	"

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Creditor	Nature of borrowings	Borrowings amount	Term of contract	Interest rate range	Guarantee or pledge	Repayment method
Bank of Taiwan (Huajiang Branch)	"	64,000	2020.05.15 ~ 2026.05.15		"	"
Chang Hwa Bank (Wanhua Branch)	"	16,000	2020.09.15 ~ 2026.09.15		"	"
"	"	96,000	2020.09.15 ~ 2026.09.15		"	"
Mega Bank (Banqiao Branch)	"	40,000	2021.02.08 ~ 2027.01.15		"	"
"	"	85,690	2021.04.20 ~ 2027.04.15		"	"
Taipei Fubon Bank (Zhubei Branch) (Note)	"	150,000	2021.08.18 ~ 2024.05.24		"	Repayment due
"		20,000	2022.12.14 ~ 2024.05.24		"	"
Total		1,224,048				
Less: Current portion of long-term borrowings		(114,053)				
Long-term loans due after 1 year		\$ 1,109,995				

Note: Jih Sun Bank merged with Taipei Fubon Bank on April 1, 2023, with Taipei Fubon Bank serving as the surviving bank after the merger.

(IX) Post-employment Benefit Plan

1. Defined contribution plans

The Company has established an Employee Pension Measure according to the "Labor Pension Act," a defined allocation plan. For employees applicable to the Regulations, the Company's monthly pension allocation rate shall not be lower than 6% of the employee's monthly salary.

The Company's 2023 and 2022 annual expenses recognized in the parent company only comprehensive income statement under this plan were NT\$11,420 thousand and NT\$13,130 thousand, respectively. As of December 31, 2023 and 2022, the due allocation amounts that have not yet been paid to the plan were NT\$894 thousand and NT\$2,177 thousand, respectively. These amounts were paid after the end of the reporting period.

2. Defined Benefit Plans

The employee pension plan established by the Company according to the "Labor Standards Act" is a defined benefit plan. According to the plan's provisions, employee pensions are calculated based on years of service and the average salary for the 6 months before retirement. The Company allocates 10% of the total employee salary each month (the allocation has been suspended since 2019), and the employee pension fund is deposited in the Retirement Reserve Fund Supervision Committee's special account at the Bank of Taiwan under the committee's name. As a result, this retirement reserve is completely independent of the Company and is not included in the Parent Company Only Financial Report.

On December 31, 2023, the most recent actuarial evaluation was completed for the current value of plan assets and defined benefit obligations. The estimated unit cost method is used to calculate the present value of welfare obligations as well as the relevant current and previous service costs.

- (1) The following amount of the Company's obligations arising from the defined benefit plan is included in the Parent Company Only Balance Sheet:

Items	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 74,516	\$ 72,948
Fair value of plan assets	(73,463)	(72,071)
Net defined benefit (asset) liabilities	\$ 1,053	\$ 877

- (2) The following is the year's changes in net confirmed liabilities (assets):

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

2023

Item	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning retained earnings	\$ 72,948	\$ (72,071)	\$ 877
Current service cost	555	-	555
Interest expense (income)	875	(865)	10
Defined benefit costs recognized as income	1,430	(865)	565
Remeasurement amount			
Actuarial income - experience adjustments	114	-	114
Actuarial income - changes in demographic assumptions	-	-	-
Actuarial income - changes in financial assumptions	165	-	165
Return on plan assets	-	(668)	(668)
Defined benefit costs recognized in other comprehensive income	279	(668)	(389)
Benefits paid	(141)	141	-
Balance on December 31	<u>\$ 74,516</u>	<u>\$ (73,463)</u>	<u>\$ 1,053</u>

2022

Items	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Beginning retained earnings	\$ 73,502	\$ (66,856)	\$ 6,646
Current service cost	356	-	356
Interest expense (income)	477	(434)	43
Defined benefit costs recognized as income	833	(434)	399
Remeasurement amount			
Actuarial income - experience adjustments	2,177	-	2,177
Actuarial income - changes in demographic assumptions	-	-	-
Actuarial income - changes in financial assumptions	(2,969)	-	(2,969)
Return on plan assets	-	(5,376)	(5,376)
Defined benefit costs recognized in other comprehensive income	(792)	(5,376)	(6,168)
Benefits paid	(595)	595	-
Balance on December 31	<u>\$ 72,948</u>	<u>\$ (72,071)</u>	<u>\$ 877</u>

(3) At the ending date of the report, the percentages of the main

categories of project assets are listed as follows:

Items	Fair value of plan assets(%)	
	December 31, 2023	December 31, 2022
Cash	16	16
Equity instrument	57	58
Bond instrument	23	22
Others	4	4
Total	100	100

The expected return rate of the overall asset is based on the historical return trend and the actuary's forecast of the asset's market during the duration of the relevant obligation regarding the use of labor pension funds by the Labor Utilization Bureau of the Ministry of Labor. Estimates of the impact on the interest rate on a 2-year time deposit at a local bank are used to determine the minimum return. The actual returns on plan assets in 2023 and 2022 were NT\$1,533 thousand and NT\$5,810 thousand, respectively.

- (4) The Company is exposed to the following risks due to the pension system of the "Labor Standards Act":
- A. Investment risk: The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits through self-operated and entrusted operation methods. However, the amount attributable to the planned asset of the Company shall not fall below the interest rate offered by the banks in the regions of investment for 2-year time deposit as return.
 - B. Interest rate risk: A decrease in the interest rate of government bonds will increase the presently defined benefit obligation value and the return on the plan asset debt investment. They will partially offset the effect on the net defined liability.
 - C. Salary risk: Calculations to determine the present benefit obligation values are made based on the future salaries of plan members. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.
- (5) The main actuarial assumptions of the Company on the measurement date are listed as follows:

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Items	Measurement date	
	December 31, 2023	December 31, 2022
Discount rate	1.17%	1.20%
Expected salary increase rate	2.00%	2.00%

(6) The sensitivity analysis for determining the present value of welfare obligations is as follows:

Items	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	\$ (1,341)	\$ (1,313)
Decrease by 0.25%	\$ 1,416	\$ 1,386
Expected salary increase rate		
Increase by 0.5%	\$ 2,683	\$ 2,699
Decrease by 0.5%	\$ (2,459)	\$ (2,480)

The preceding sensitivity analysis for the determined benefit obligation's present value mentioned above is based on a single actuarial assumption change, while all other actuarial assumptions remain unchanged. Since some actuarial assumptions are related, having only one actuarial assumption is unlikely. Due to changes in actuarial assumptions, sensitivity analyses on defined benefit obligations may not be representative.

(7) The Company expects to allocate NT\$0 thousand to the defined benefit plan in 2024. The weighted average duration of the defined welfare obligations is 6.9 years.

(X) Equity

1. Capital Shares

Items	December 31, 2023	December 31, 2022
Authorized capital	\$ 1,720,000	\$ 1,720,000
Paid-in capital	\$ 1,226,920	\$ 1,226,920

As of December 31, 2023 and 2022, the Company has 172,000 thousand ordinary shares with a par value of NT\$10 per share. Each share has one vote and the right to dividends. The issued and fully paid shares were both 122,692 thousand shares.

2. Capital Reserve

Items	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 167,271	\$ 167,271

According to relevant laws and regulations, the excess from the issuance of shares exceeding the par value (the issuance of ordinary shares at a price greater than the par value, the share capital premium of shares issued as a result of mergers, the conversion premium of corporate bonds, treasury stock transactions, the actual acquisition or disposal of subsidiary company equity prices, book value difference, etc.) and the capital reserve generated from receiving gifts can be used to make up for losses. It can also be used to distribute cash dividends or appropriate share capital when the Company has no losses, provided that the total amount of capital appropriation is limited to no more than 10% of the paid-in capital each year. In addition, changes in ownership interests in subsidiaries shall be recognized to offset losses.

3. Retained earnings and dividends

(1) Statutory surplus reserve

According to the Company Act, the Company shall allocate 10% of the after-tax net profit as the statutory surplus reserve until it has reached the total capital amount. When the Company has no losses, it may issue new shares or cash from the statutory reserve upon the shareholders meeting resolution, provided that the reserve is limited to 25% of the paid-in capital.

(2) Special Surplus Reserve

Provisions for withdrawing and reversing the special surplus reserve were established according to FSC's letter Jin-Guan-Zheng-Fa-Zi No. 1090150022 dated March 31, 2021, and the "Applicable Questions and Answers for the Provision of Special Surplus Reserve after Adopting the IFRSs." If there is a subsequent balance reversal of other deducted equity items, the surplus may be distributed for the reversed portion.

(3) Surplus Distribution and Dividend Policy

A. According to the Company's Articles of Incorporation, the profit distribution and dividend policy are as follows:

If there is a surplus in the final annual accounts of the

Company, taxes shall be paid first to compensate for accumulated losses over the years. In that case, 10% shall be raised for the second time as the Legal reserve, and the special reserve shall be allocated or reversed according to the laws or regulations of the competent authority. If there is still a surplus, the balance plus accumulated unappropriated retained earnings of previous years shall be distributed by the board of directors after a distribution proposal is made and submitted to the shareholders meeting for resolution.

The board of directors determines Toung Loong Textile MFG.'s dividend policy based on factors such as the Company's earnings over the years, current and future investment environment, capital needs, domestic and foreign competition conditions, and capital budgets. It must also consider the shareholders' interests, balanced dividends, and the Company's long-term financial planning. It shall be drafted by the board of directors according to the law and submitted to the shareholders meeting for resolution. Toung Loong Textile MFG. distributes shareholder dividends based on the principle of no less than 50% of the after-tax profit of the current year after deducting losses. The surplus distribution can be done in the form of cash dividends or stock dividends, and the amount of cash dividends shall not be less than 30% of the total dividends paid in the current year.

- B. The Company's 2022 and 2021 profit distribution proposals were resolved by the shareholders meetings on June 2, 2023, and June 16, 2022. There is no difference between the actual distribution amount and the proposed distribution approved by the original board of directors. The details are as follows:

Items	Amount of surplus distribution		Distribution of dividends (NT\$/share)	
	2022	2021	2022	2021
Statutory reserves	\$ 16,757	\$ 31,764		
Cash dividends	85,884	156,372	\$ 0.70	\$ 1.30
Stock dividends	-	24,057	\$ -	\$ 0.20
Total	<u>\$ 102,641</u>	<u>\$ 212,193</u>		

For information about the basis and recognized remuneration amounts for employees, directors, and supervisors, please refer to Note 6 (12) of the Parent Company Only Financial

Report for details on employee benefits, depreciation, and amortization expenses.

4. Other Items of Equity

(1) Financial statements translation differences of foreign operations

Items	2023	2022
Beginning retained earnings	\$ (7,234)	\$ (22,453)
Changes in this period	(4,076)	15,219
Balance at December 31	<u>\$ (11,310)</u>	<u>\$ (7,234)</u>

(2) Unrealized income of financial assets measured at FVTOCI

Items	2023	2022
Beginning retained earnings	\$ 7,255	\$ (2,509)
Changes in this period	(14,000)	9,764
Balance at December 31	<u>\$ (6,745)</u>	<u>\$ 7,255</u>

(3) Remeasured value of defined benefit plan

Items	2023	2022
Beginning retained earnings	\$ (40,204)	\$ (45,139)
Changes in this period	311	4,935
Balance at December 31	<u>\$ (39,893)</u>	<u>\$ (40,204)</u>

(XI) Income

Items	2023	2022
Operating revenue		
Sales revenue	<u>\$ 2,602,613</u>	<u>\$ 3,825,122</u>

The Company's commodity sales revenue is derived from transferring commodities to customers at a specific time.

(XII) Employee Benefit, Depreciation, and Amortization Expenses

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Nature \ Function	2023			2022		
	Attributed to operating costs	Attributed to operating expense	Total	Attributed to operating costs	Attributed to operating expense	Total
Employee benefit expense						
Salary expense	\$ 212,115	\$ 54,640	\$ 266,755	\$ 274,555	\$ 71,080	\$ 345,635
Labor and health insurance expense	25,694	4,786	30,480	31,016	4,893	35,909
Pension expense	9,919	2,066	11,985	11,437	2,092	13,529
Remuneration to directors	-	7,937	7,937	-	15,519	15,519
Other employee benefit expense	22,142	1,986	24,128	43,146	2,567	45,713
Subtotal	\$ 269,870	\$ 71,415	\$ 341,285	\$ 360,154	\$ 96,151	\$ 456,305
Depreciation expense	\$ 332,021	\$ 9,717	\$ 341,738	\$ 329,833	\$ 8,306	\$ 338,139
Amortization cost	\$ 3,616	\$ 517	\$ 4,133	\$ 7,353	\$ 960	\$ 8,313

1. The additional information on the number of employees and employee benefits expenses for the Company's 2023 and 2022 are as follows:

Items	2023	2022
Average number of employees	\$ 475	\$ 514
Number of directors who do not serve concurrently as employees	\$ 8	\$ 8
Average employee benefit expense	\$ 714	\$ 871
Average employee salary expense	\$ 571	\$ 683
The average employee salary adjustment change	\$ (16.40%)	\$ (4.61%)
Remuneration to supervisor	\$ -	\$ 1,155

2. The Company's remuneration policy information (including directors, supervisors, managers, and employees) is as follows:

- (1) The company adopts a quota system for director and supervisor remuneration. Regardless of the company's operating profit or loss, the company shall pay monthly, and the remuneration committee may consider future company operating conditions and other factors to make suggestions for adjustments. The remuneration of directors and profit distribution shall conform to the provisions of the Company's Articles of Incorporation. The Remuneration Committee shall consider the overall performance of the Board of Directors and the Company's operating performance, future operations, and risk appetite to prepare a distribution proposal.

- (2) The remuneration of the Company's employees (including managers) includes monthly salaries, business sales bonuses, production performance bonuses, year-end and annual festival bonuses in cash issued according to the annual business performance, and the employee remuneration issued according to the Company's annual profit status.

Sales bonuses, year-end bonuses, annual festival bonuses, and annual employee remuneration are rewards to colleagues for their contributions. The goal is to inspire colleagues to continue to work hard while connecting the interests of employees and shareholders to create a win-win for the company, shareholders, and employees.

The Company shall determine the total amount of employee cash bonuses and remuneration based on its operating results and according to the distribution level of the domestic industry. The Remuneration Committee recommends the amount and method of distribution to the Board of Directors, and employee remuneration shall be paid after approval by the Board of Directors. The amount allocated to each employee depends on their duties, contributions, and performance.

3. According to the Company's Articles of Incorporation, the ratios of employee, director, and supervisor remunerations are as follows:

The Company shall distribute over 1% of the current year's profit status as employee remuneration and less than 5% remuneration for directors and supervisors. However, the Company shall make up for any accumulated losses if there are any.

The preceding "profitability of the year" refers to the remaining profit from pre-tax profit less employee, director, and supervisor remunerations.

Employee, director, and supervisory remuneration shall be resolved in a board of directors meeting attended by at least two-thirds of all board members and by a majority vote of the attending directors. The resolution shall be reported to the shareholders meeting.

Employee remuneration can be made in stock or cash, and the recipients may include employees of subordinate companies who meet certain conditions.

4. The Company shall conform to the preceding employee, director, and supervisor remuneration ratio stipulated in its Articles of Incorporation and reference the actual amount paid in the previous year. The total amount for employee, director, and supervisor remuneration estimated for 2023 and 2022 were NT\$0 thousand and NT\$18,075 thousand, respectively. They were recognized as operating costs or operating expenses according to their nature. However, if there is a discrepancy between the actual disbursed amount and the estimated amount, the disbursed amount shall be listed as annual income.
5. The Company's 2023 and 2022 remunerations for its employees,

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

supervisors, and directors were resolved by its board of directors on March 13, 2024, and March 13, 2023, respectively. They were distributed in cash as follows:

Items	2023		2022	
	Employee Remuneration	Director and Supervisor Remuneration	Employee Remuneration	Director and Supervisor Remuneration
Allotment amount resolved by the Board of Directors	\$ -	\$ -	\$ 10,000	\$ 8,075
Amounts recognized in financial statements	-	-	10,000	8,075
Amount difference	\$ -	\$ -	\$ -	\$ -

The preceding information on the Company's employee and director remunerations can be accessed on MOPS.

(XIII) Other Comprehensive Incomes

2023

Other Comprehensive Income Items	Amount Before Tax	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss			
Remeasurement of defined benefit programs	\$ 389	\$ (78)	\$ 311
Unrealized gain or loss on equity instruments measured at fair value through other comprehensive income	(14,000)	-	(14,000)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of the financial statements of foreign operations	(5,095)	1,019	(4,076)
Total	<u>\$ (18,706)</u>	<u>\$ 941</u>	<u>\$ (17,765)</u>

2022

Other Comprehensive Income Items	Amount Before Tax	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss			
Remeasurement of defined benefit programs	\$ 6,168	\$ (1,233)	\$ 4,935
Unrealized gain or loss on equity instruments measured at fair value through other comprehensive income	9,764	-	9,764
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of the financial statements of foreign operations	19,024	(3,805)	15,219
Total	<u>\$ 34,956</u>	<u>\$ (5,038)</u>	<u>\$ 29,918</u>

(XIV) Income Tax

1. Income tax recognized in income:

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Items	2023	2022
Current income tax (expenses)		
Current tax payable	\$ -	\$ (50,270)
The current income tax expense of the previous year adjusted in the current period	(102)	2,305
Investment tax credits	2,072	8,252
Others	(1)	-
Deferred income tax (expenses)		
Deferred income tax benefit related to the occurrence and reversal of timing differences	3,115	15,224
Income tax benefit (fee)	<u>\$ 5,084</u>	<u>\$ (24,489)</u>

2. Income tax related to other comprehensive income tax:

Items	2023	2022
Remeasurement of defined benefit programs	\$ (78)	\$ (1,233)
Exchange differences on translation of the financial statements of foreign operations	1,019	(3,805)
Income tax benefit (fee)	<u>\$ 941</u>	<u>\$ (5,038)</u>

3. Reconciliation instructions for accounting income and income tax expenses:

Items	2023	2022
Profit (loss) before tax	<u>\$ (20,992)</u>	<u>\$ 192,059</u>
Income tax benefit (expense) calculated at the statutory tax rate on net profit (loss) before tax	\$ 4,198	\$ (38,412)
Income tax impact of reconciled items		
Domestic investment income is recognized using the equity method	43	1,356
Impact level of tax on items that should be increased (decreased) when determining taxable income	(1,127)	2,010
Income tax impact of investment tax credits	2,072	8,252
The current income tax expense of the previous year adjusted in the current period	(102)	2,305
Income tax benefit (fee)	<u>\$ 5,084</u>	<u>\$ (24,489)</u>

4. Deferred income tax assets and liabilities

The movements in deferred tax assets and liabilities are as follows:

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

2023

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehensive income	Balance on December 31
Deferred tax assets				
Unrealized currency exchange gains or losses	\$ 1,407	\$ 1,113	\$ -	\$ 2,520
Expected credit impairment losses	10,561	(527)	-	10,034
Inventory valuation losses	8,731	145	-	8,876
Loss carryforwards	-	1,731	-	1,731
Investment tax credits	-	2,072	-	2,072
Determined welfare plan actuarial loss	10,051	-	(78)	9,973
Differences on translation of the financial statements of foreign operations	1,808	-	1,019	2,827
Total	<u>\$32,558</u>	<u>\$4,534</u>	<u>\$941</u>	<u>\$38,033</u>

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehensive income	Balance on December 31
Deferred tax liabilities				
Income shares of subsidiaries, affiliated enterprises, and joint ventures recognized under the equity method	\$(27,498)	\$ 748	\$ -	\$(26,750)
Expected credit impairment losses	-	(208)	-	(208)
Prepaid pension	(14,803)	113	-	(14,690)
Total	<u>\$(42,301)</u>	<u>\$653</u>	<u>\$-</u>	<u>\$(41,648)</u>

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

2022

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehensive income	Balance on December 31
Deferred tax assets				
Unrealized currency exchange gains or losses	\$ 1,383	\$ 24	\$ -	\$ 1,407
Expected credit impairment losses	-	10,561	-	10,561
Inventory valuation losses	6,906	1,825	-	8,731
Determined welfare plan actuarial loss	11,284	-	(1,233)	10,051
Differences on translation of the financial statements of foreign operations	5,613	-	(3,805)	1,808
Total	\$25,186	\$12,410	\$(5,038)	\$32,558

Items	Beginning retained earnings	Defined benefit costs recognized as income	Defined benefit costs recognized in other comprehensive income	Balance on December 31
Deferred tax liabilities				
Income shares of subsidiaries, affiliated enterprises, and joint ventures recognized under the equity method	\$(29,675)	\$ 2,177	\$ -	\$(27,498)
Expected credit impairment losses	(557)	557	-	-
Prepaid pension	(14,883)	80	-	(14,803)
Total	\$(45,115)	\$2,814	\$-	\$(42,301)

5. The tax authority has assessed and approved the Company's income tax returns up to 2021.

(XV) Earnings Per Share

Basic earnings (losses) per share

The earnings and weighted average number of ordinary shares used to calculate the basic earnings per share are as follows:

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

Items	2023	2022
Net profit (loss) attributable to parent company owners	\$ (15,908)	\$ 167,570
Basic earnings per share for the weighted average number of ordinary shares (thousand shares)	122,692	122,692
Basic earnings (losses) per share (NT\$)	\$ (0.13)	\$ 1.37

VII. Related Party Transactions

(I) Names of the associates and the relationship with the Company

Name	Relationship with this Company
Lung Hsiang Hsing INT'L Co. Toung Loong Textile MFG. (Vietnam)	The Company's subsidiary " "
Sarah International Co., Ltd.	
Sarah Global Co., Ltd.	"
Sara Rose International Inc.	Corporate supervisor of the Company (Redesignated as a director on June 17, 2022)
Joinco Investment Ltd.	Corporate Director of the Company

(II) Parent company and ultimate controller

The Company is the ultimate controller of the Company and its subsidiaries.

(III) Important Transactions with Related Parties

1. Operating revenue

Related party	2023	2022
Vietnam SARA Company	\$ 3,368	\$ -
Sarah Global Co., Ltd.	27,579	62,859
Total	\$ 30,947	\$ 62,859

The transaction conditions and payment period (2 to 3 months) are not significantly different from ordinary customers.

2. Rental income

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

<u>Related party</u>	<u>Subject Matter</u>	<u>2023</u>	<u>2022</u>
Lung Hsiang Hsing Int'l Co., Ltd.	Office at Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	\$ 57	\$ 57
Xiang hao Investment Co., Ltd.	"	23	23
Total		<u><u>\$ 80</u></u>	<u><u>\$ 80</u></u>

The preceding rent is paid every 3 months, and the rental income is listed in the Company's Parent Company Only Financial Report.

3. General income (sales materials, OEM, and consulting income)

<u>Related party</u>	<u>2023</u>	<u>2022</u>
Vietnam SARAH Company	\$ 1,649	\$ 1,576
Toung Loong Textile MFG. (Vietnam)	3,052	2,849
Total	<u><u>\$ 4,701</u></u>	<u><u>\$ 4,425</u></u>

The transaction conditions and payment period (approximately 2 to 3 months) are not significantly different from ordinary customers.

4. Accounts receivable

<u>Related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Sarah Global Co., Ltd.	<u><u>\$ 98</u></u>	<u><u>\$ 3,681</u></u>

5. For the endorsement and guarantee of the associate Toung Loong Textile MFG. (Vietnam), please refer to the detailed "Endorsement and Guarantee for Others" list in Attachment 1 of the Parent Company Only Financial Report.

6. Relevant information on the total remuneration of key management

<u>Item</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$20,815	\$27,143
Post-employment benefits	106	150
Total	<u><u>\$20,921</u></u>	<u><u>\$27,293</u></u>

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

VIII. Pledged Assets

Assets	Subject matter of pledge guarantee	Carrying amount	
		December 31, 2023	December 31, 2022
Land	Bank loans	\$ 752,496	\$ 565,084
Buildings	Bank loans	711,279	599,597
Machinery and equipment	Bank loans	145,889	191,161
Total		\$ 1,609,664	\$ 1,355,842

IX. Significant Contingent Liabilities And Unrecognized Contract Commitments

- (I) From to December 31, 2023, the details of the unused letters of credit issued by the Company for the purchase of raw materials and machinery and equipment are as follows:

Items	Amount
The number of unused letters of credit issued	
NTD (thousand)	\$ 57,221
USD (thousand)	743

- (II) As of December 31, 2023, the details of guaranteed notes issued by the Company are as follows:

Items	Amount
Loan amount	\$ 450,000
Return material yarn tube safekeeping	2,400

- (III) The total price of the project and sales contract signed by the Company for factory building expansion and additional equipment purchase is about NT\$445,110 thousand. As of December 31, 2023, the remaining amount to be paid is about NT\$195,150 thousand.

- X. Major disaster losses: None.**

- XI. Major subsequent events: None.**

- XII. Others**

- (I) Financial instruments

1. Categories of financial instruments

(1) Financial Assets

Items	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 653,465	\$ 557,733
Notes and accounts receivables	244,521	236,858
Other receivables	4,253	5,567
Refundable deposits	18,833	19,335
Financial assets measured at amortized cost	127,425	110,219
Financial assets at fair value through other comprehensive income	89,340	103,340
Total	<u>\$ 1,137,837</u>	<u>\$ 1,033,052</u>

(2) Financial liabilities

Items	December 31, 2023	December 31, 2022
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 1,087,027	\$ 1,375,628
Short-term notes and bills payable	99,968	79,808
Notes payable and accounts payable	273,722	213,081
Other payables	87,406	148,753
Long-term borrowings (including the portion with maturity in one year)	1,482,572	1,224,048
Lease liabilities	20,964	12,463
Deposits received	193	193
Total	<u>\$ 3,051,852</u>	<u>\$ 3,053,874</u>

2. The Purpose of Financial Risk Management

The financial risk management objective of the Company is to manage financial risks related to operating activities. Such risks include market risk (including foreign currency exchange rate and interest rate risk), credit risk, and liquidity risk. The Company is devoted to identifying, assessing, and avoiding market uncertainties to eliminate the potential adverse effects of market changes on financial performance. The Company's board of directors supervises the management level and monitors the compliance of the Company's financial risk management policies and procedures. It reviews the suitability of the Company's financial risk management framework for the risks they face. Internal auditors assist the Company's Board of Directors in its oversight role. These individuals conduct routine and exceptional reviews of financial risk management controls and procedures, and report the findings to the board of directors.

3. Market risks

Market risk refers to the risk that changes in market prices will affect the income of the Company or the value of financial instruments held, such as changes in exchange rates and interest rates. Market risk management aims to control the degree of exposure to market risks within a tolerable range and optimize investment returns. The Company is mainly exposed to market risks, such as changes in foreign currency exchange and interest

rates, and uses certain derivative financial instruments to manage related risks. In 2023 and 2022, there was no risk exposure change in the financial instrument market, the management, and the measurement of such exposure.

(1) Foreign currency exchange rate risks

Some of the Company's operating activities and net investments in foreign operating institutions are mainly conducted in foreign currencies so currency exchange rate risks may occur. The exchange rate risk management strategy regularly reviews the net positions of assets and liabilities in various currencies and carries out risk management on the net positions. It is based on the cost of hedging and the period of hedging to avoid the decrease in the value of foreign currency assets and fluctuations in future cash flows caused by exchange rate changes and to avoid the selection of exchange rate risk tools. The following are the details of the Company's foreign currency assets and liabilities that have a significant impact on the financial report:

December 31, 2023

Items	Foreign currency (thousand)	Exchange rate	Carrying amount
Financial asset			
<u>Monetary</u>			
<u>items</u>			
USD	\$ 16,756	30.71	514,495
Euro	20	33.98	682
JPY	144	0.22	31
<u>Non-monetary</u>			
<u>items</u>			
USD	7,499	30.71	230,310
Financial liability			
<u>Monetary items</u>			
USD	133	30.71	4,093

December 31, 2022

Item	Foreign currency	Exchange rate	Carrying amount
Financial asset			
<u>Monetary items</u>			
USD	\$ 15,772	30.71	484,360
Euro	25	32.72	818
JPY	104	0.23	24
<u>Non-monetary items</u>			
USD	7,785	30.71	239,140
Financial liability			
<u>Monetary items</u>			
USD	250	30.71	7,666
Euro	1,150	32.72	37,637

The exchange rate risk sensitivity analysis is as follows:

NTD 1% relative appreciation	2023		2022	
	USD	Euro	USD	Euro
Profit (loss)	\$ 5,104	\$ 7	\$ 4,767	\$ (368)
Increase (decrease) in equity	2,303	-	2,391	-

(2) Interest rate risk

Interest rate risk is the risk of changes in the fair value of financial instruments due to market interest rate fluctuation. The Company's long-term and short-term bank loans were borrowed at floating interest rates. So any changes in market interest rates will generate fair value change risks and cash flow risks. The Company's policy is to hedge against the risks of changes in loan interest rates. It assesses the international economic situation and market interest rate trends before deciding whether to use floating or fixed interest rates to avoid the risks of interest rate changes.

The interest rate risk sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the end of the reporting period was outstanding for the entire year. The rate of change used by the Company when reporting interest rates internally to the key management level is a 0.25% increase or decrease in interest rates, which represents the management's assessment of the reasonably possible interest rate fluctuation range. Suppose the interest rate rises or falls by 0.25% while all other variables remain constant. In that case, the Company's net profit in 2023 and 2022 will fall or rise by NT\$6,424 thousand and NT\$6,499 thousand, respectively, according to changes in the Company's borrowing rate.

4. Credit Risk Management

Credit risk is the risk of financial loss to the Company due to the failure of the transaction counterparty or other parties to perform the contract. The evaluation subject is the contract with a positive fair value on the balance sheet date. As of December 31, 2023 and 2022, the largest

credit risk exposure of the Company that may cause financial losses due to the counterparty's failure to perform the contract mainly comes from the receivables generated from operating activities. The Company's operational and financial credit risks are managed separately.

(1) Operational-related credit risk

The Company has established procedures for credit risk management related to operations to maintain the quality of accounts receivable. An individual customer's credit risk assessment is primarily based on the customer's financial status, historical transaction records, the internal credit rating of the Company, credit rating agency ratings, current economic conditions, and other factors that may affect the customer's ability to pay. The Company also timely uses certain credit enhancement tools, such as advance payment and credit insurance, to reduce the credit risk of specific customers.

As of December 31, 2023 and 2022, the accounts receivable balance of the top 10 customers accounted for 81% and 75% of the Company's accounts receivable balance, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

(2) Financial credit risk

The Company's credit risk engaged in financial asset investment is measured and monitored by the Financial Department of the Company. Since the transaction partners are all financial institutions and corporate organizations with good credit, no significant credit risk is expected. The Company does not hold any collateral or other credit enhancement instruments to hedge the financial asset credit risks.

5. Liquidity risk management

The liquidity risk management objective of the Company is to maintain the cash and equivalent cash required for operations, highly liquid securities and sufficient bank financing, etc. The goal is to ensure the Company has sufficient financial flexibility and mitigate the impact of cash flow fluctuations. The management of the Company supervises the bank financing lines and ensures compliance with the loan contract terms. As of December 31, 2023 and 2022, the Company's unused short-term bank financing lines were NT\$2,172,973 thousand and NT\$2,160,372 thousand, respectively.

The Company's investment in domestic and foreign unlisted company stocks is expected to have a relatively significant liquidity risk because there is no active market.

The table below analyzes the remaining contractual maturity of financial liabilities during the agreed repayment period. It is prepared based on the undiscounted cash flow of financial liabilities, which includes

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

cash for interest and principal flow. It is based on the earliest date on which the Company may be required to repay:

December 31, 2023

Item	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities						
Short-term borrowings	\$ 937,027	\$ 150,000	\$ -	\$ -	\$ 1,087,027	\$ 1,087,027
Short-term notes and bills payable	99,968	-	-	-	99,968	99,968
Notes payable and accounts payable	256,911	16,462	349	-	273,722	273,722
Other payables	84,946	2,460	-	-	87,406	87,406
Long-term borrowings	57,486	209,232	1,044,958	305,442	1,617,118	1,482,572
Lease liabilities	3,134	8,516	9,314	-	20,964	20,964
Deposits received	-	-	193	-	193	193
Total	\$ 1,439,472	\$ 386,670	\$ 1,054,814	\$ 305,442	\$ 3,186,398	\$ 3,051,852

December 31, 2022

Item	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
Non-derivative financial liabilities						
Short-term borrowings	\$ 987,628	\$ 388,000	\$ -	\$ -	\$ 1,375,628	\$ 1,375,628
Short-term notes and bills payable	79,808	-	-	-	79,808	79,808
Notes payable and accounts payable	199,617	11,801	1,663	-	213,081	213,081
Other payables	118,224	30,529	-	-	148,753	148,753
Long-term borrowings	12,973	102,112	914,082	262,657	1,291,824	1,224,048
Lease liabilities	1,566	4,698	6,330	-	12,594	12,463
Deposits received	-	-	193	-	193	193
Total	\$ 1,399,816	\$ 537,140	\$ 922,268	\$ 262,657	\$ 3,121,881	\$ 3,053,974

6. Fair Value of Financial Instruments

(1) Fair value of financial instruments at amortized cost

In the Parent Company Only Financial Report, the Company believes the carrying amounts of financial assets and liabilities measured at amortized cost approximate their fair values.

(2) Appraisal techniques and assumptions used to measure fair value

Fair value refers to the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are reasonable

approximations of fair value, primarily because of the short maturity periods for such instruments.

- B. The fair value of financial assets and liabilities traded in an active market with standard terms and conditions is determined regarding market quotations (such as listed stocks and bonds).**
- C. The fair value of equity instruments without active market transactions (for example, private placement stocks listed on the counter, publicly issued company stocks without active markets, and privately issued company stocks) is estimated using the market or asset-based approach. The fair value is calculated based on the prices generated by the market transactions of the same or comparable corporate equity instruments and other relevant information (lack of liquidity discount factors, similar company equity ratio, similar company stock price-to-book ratio, etc.).**
- D. The increased financial assets at amortized cost and the fair value of long-term payables are determined based on the discounted cash flow analysis. Since there is little difference between the discounted and book values, they are presented at the book value.**

(3) Fair value measurement recognized in the Parent Company Only Balance Sheet

After the initial recognition, the analysis of financial instruments is based on the fair value measurement method, which is divided into three levels based on the degree of observability of the fair value:

- A. Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities.**
- B. Level 2 fair value measurement refers to the derivation of fair value from observable inputs of assets or liabilities, either directly (i.e., prices) or indirectly (i.e., derived from prices), but not included in the first level quotations.**
- C. Level 3 fair value measurement is the evaluation technique that uses unobservable input values (input values of assets or liabilities not based on observable market data) to derive fair value.**

(4) Fair value – financial instruments measured at fair value regularly

Toung Loong Textile MFG. Co., Ltd.
Notes to the 2023 and 2022 Parent Company Only Financial Reports (Continued)

December 31, 2023

<u>Item</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income Non-TWSE/TPEX listed domestic company stocks	\$ -	\$ -	\$ 89,340	\$ 89,340

December 31, 2022

<u>Item</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income Non-TWSE/TPEX listed domestic company stocks	\$ -	\$ -	\$ 103,340	\$ 103,340

(II) Capital management

The Company's capital management goal is to ensure the ability to continue operations; meet the needs of working capital, capital expenditures, R&D expenses, debt repayments, and dividend payments for the next 12 months; and maintain an optimal capital structure to reduce capital costs. The Company may adjust the dividends paid to shareholders, issue new shares, or sell assets to liquidate liabilities to maintain or adjust the capital structure.

The Company monitors capital by regularly reviewing the debt ratio. The debt ratio of the Company is as follows:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 3,125,665	\$ 3,171,586
Total Assets	\$ 5,740,263	\$ 5,905,741
Liability proportion	54%	54%

XIII. Additional Disclosures

(I) Information on Significant Transactions

1. Loans to others: None.
2. Provision of endorsements and guarantees to others: Please refer to Attachment 1.
3. Securities held at the end of the period: see Attachment 2 for details.
4. Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital

or more: None.

- 7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in Capital or more: None.**
- 8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.**
- 9. Engage in derivative commodity trading: None.**

(II) Information about reinvestment matters: See Attachment 3 for details.

(III) Mainland China investment information: The Company has not invested in mainland China.

(IV) Information on major shareholders: See Attachment 4 for details.

XIV. Department Information

The Company's resource allocation and performance measurement are based on the operating results regularly reviewed by the chief operating officer, and the Company is a single operating department. The basis of measurement for the operating department's income, assets, and liabilities is the same as that of the financial report. Please refer to the 2023 Consolidated Financial Report.

Attachment 1

Endorsements/guarantees provided

For the year ended December 31, 2023

Unit: USD thousand, NTD thousand

No. (Note 1)	Endorsement/ guarantee provider	Guaranteed party	Limits on endorsement/gua rantee amount provided to a single entity	The maximum endorsement guarantee balance in the current period	Balance of endorsement guarantee at the end of the period	Actual drawn-down amount	Amount of endorsement /guarantee collateralize d by properties	Ratio of accumulated endorsement/gua rantee to net equity per latest financial statements	Endorsement /guarantee limit	Endorsement /guarantee from the parent company to the subsidiary (Note 5)	Endorseme nt/guarantee from subsidiary to parent company (Note 5)	Guarantee provided to subsidiaries in Mainland China
		Company Name										
0	Textile MFG. Co., Ltd. (Vietnam)	2	\$ 1,045,839 (2,614,598×40 %)	(US\$2,500) NT\$81,063	(US\$2,500) NT\$76,763	(US\$339) NT\$10,408	\$ -	2.94%	\$ 1,281,153 (49%)	Y	N	N
									(Note 3)			(Note 5)

Note 0 represents Toung Loong Textile MFG. Co., Ltd.

Note 1: represents a subsidiary whereby a parent company directly owns over 50% of its ordinary shares.

Note 2: Maximum limit calculation method: According to the Company's endorsement guarantee method, the Company's latest financial statement audited and certified by a CPA is limited to 49% of the net value of the Company's latest financial statements. The endorsement guarantee for a single enterprise shall not exceed 40% of the latest net value of the Company's financial statements audited and certified by a CPA.

Note 3: The amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 4: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Marketable securities types and name	Relationship with the securities issuer (Note 2)	Financial statement account	End of Period			Remarks
			Number of Shares	Book value (Note 3)	Percentage of Ownership	
<u>Bonds</u>						
Bond repos	None	Current financial assets at amortized cost	-	\$ 48,298	- \$ 48,298	
Bond repos	"	Non-current financial assets at amortized cost	-	79,127	- 79,127	
				127,425		
<u>Stocks</u>						
Chain Yarn Co., Ltd.	"	Non-current financial assets at fair value through other comprehensive income	6,164	62,000	2.90% 62,000	
Tair Yung Fa Co., Ltd.	"		1	18,000	18.00% 18,000	
Pao Shiang Construction & Industrial Co., Ltd.	"		55	4	0.01% 4	
EZ-Photo Co., Ltd.	"		90	696	18.00% 696	
Safe Save Medical Cell Sciences & Technology Co., Ltd.	"		221	4,630	0.55% 4,630	
Ta Shee Resort Co., Ltd.	"		-	4,010	- 4,010	
				89,340		
<u>Stocks</u>						
CO.,LTD	"		-	1,264	13.00% 1,264	

securities were shares, bonds, beneficiary certificates, and others within the scope of IFRS 9 “Financial Instruments.”

Id if the securities issuer is not a related party.

asured by fair value, the book amount column B is the book balance after adjusting the fair value evaluation and deducting accumulated losses. For those not
ue, the booking amount in Column B is the book balance of the original acquisition cost or amortized cost less accumulated impairment.

rovision of guarantees, pledged loans, or other agreements, the number of shares provided as guarantee or pledge, the amount of guarantee or pledge,

Reinvestment related information
For the year ended December 31, 2023

Unit: NT\$ thousand / thousand shares

Investor	Name of investee	Location	Main business	Initial investment amount		Holding at the end of the period			Current income of investee	Investment income recognized in the current period	Remarks
				By the end of the current period	End of last year	Shares	Percentage	Carrying amount			
Toung Loong Textile MFG. Co., Ltd.	Lung Hsiang Hsing INT'L Co.	R.O.C.	International Trade	\$ 15,970	\$ 15,970	1,600	66.67%	\$ 9,484	\$ (2,005)	\$ (1,337)	
	Sarah Global Co., Ltd.	"	Wholesale and retail of cloths, textiles, and threads	20,000	20,000	2,000	100.00%	29,226	1,551	1,551	
	Sarah International Co., Ltd	Vietnam	Manufacturing of weaving yarn	63,371 thousand	63,371 (US\$1,055 thousand)	-	100.00%	89,339	6,037	6,037	
	Toung Loong Textile MFG. (Vietnam)	"	"	92,724 thousand	92,724 (US\$2,043 thousand)	-	66.67%	99,156	13,275	8,851	
SUN BEAM GLOBAL ENTERPRISE CO., LTD	SUN BEAM GLOBAL ENTERPRISE CO., LTD	The British Virgin Islands	General commerce	16,319 thousand	16,319 (US\$500 thousand)	5	100.00%	41,815	(8,352)	(8,352)	
			Total	\$ 208,384	\$ 208,384			\$ 269,020		\$ 6,750	
				US\$490 thousand	US\$490 thousand						
	DONG LONG ENTERPRISE CO., LTD.	Cambodia	Manufacturing of weaving yarn			-	49.00%	\$ 4,466	(18,654)		

Attachment 4

Information on Major Shareholders

December 31, 2023

Name of major shareholder	Shares held	Shareholding percentage
Jung-Chieh Yu	6,547,719	5.33%
Fubon Life Insurance Co., Ltd	6,528,000	5.32%
Rong-Lih Yu	6,368,094	5.19%

1. The information on major shareholders in this Exhibit is compiled by Taiwan Depository & Clearing Corporation based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common shares and preferred shares whose registration and delivery have been completed in non-physical form (including treasury shares). There may be a discrepancy in the number of shares recorded on the financial statements of a company and its dematerialized securities arising from the difference in basis of preparation.

2. As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than ten percent of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System (MOPS) website.

Toung Loong Textile MFG. Co., Ltd.

List of Important Account Titles

(Amounts are in NTD thousand unless otherwise specified)

2023

Table 1

Toung Loong Textile MFG. Co., Ltd.

Statement of cash and cash equivalents

December 31, 2023

Item	Abstract	Amount	Remarks
Cash	Cash and working capital	\$ 1,250	
Cash in banks			
Checking accounts		191,111	
Demand deposits		59,667	
Time deposit		144,313	
Foreign currency deposits	US\$ 8,371	257,029	
	EUR\$ 2	75	
	JPY\$ 90	20	
Subtotal		652,215	
Total cash and cash equivalents		\$ 653,465	

Table 2

Toung Loong Textile MFG. Co., Ltd.

Net Accounts Receivable Table

December 31, 2023

Customer name	Abstract	Amount	Remarks
<u>Related parties</u>			
Sarah Global	Payment	\$ 98	
<u>Non-related party</u>			
Company A	"	51,558	
Company B	"	44,807	
Company C	"	32,795	
Company D		16,397	
Other (under 5% total)	"	95,051	
Non-related party sub-total		240,608	
Less: Allowance for bad debts		(1,421)	
Net amounts of non-related parties		239,187	
Total		\$ 239,285	

Table 3

Toung Loong Textile MFG. Co., Ltd.

Net Inventory Table

December 31, 2023

Items	Abstract	Amount		Remarks
		Cost	Market price (Note)	
Raw material	Inventory	\$ 80,045	\$ 79,704	
Materials	"	32,932	32,868	
Work in progress	"	357,037	349,610	
Finished goods	"	816,993	780,448	
Total		1,287,007	<u>\$ 1,242,630</u>	
Less: Allowance for depreciation losses		<u>(44,377)</u>		
Net amount		<u>\$ 1,242,630</u>		

Note: The raw material replacement cost is the market price, and the net realizable value of work in progress and finished goods is the market price.

For the year ended December 31, 2023

	Beginning retained earnings		Current Period Increase		Current Period Decrease		Balance at December 31		Market value or equity net value		
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Shareholding percentage	Amount	Unit Price	Total price
The Group	1,600	\$ 10,821	-	\$ -	-	\$ 1,337	1,600	66.67	\$ 9,484	7.05	\$ 9,484
	2,000	33,684	-	1,551	-	6,009	2,000	100.00	29,226	13.23	29,226
Int'l Co., Ltd	-	85,793	-	6,037	-	2,491	-	100.00	89,339	-	89,339
the MFG. (Vietnam)	-	103,266	-	8,851	-	12,961	-	66.67	99,156	-	99,156
ENTERPRISE CO., LTD	5	50,081	-	86	-	8,352	5	100.00	41,815	10,531.03	41,815
Total		\$ 283,645		\$ 16,525		\$ 31,150			\$ 269,020		

Hsiang Hsing Int'l Co., Ltd.'s decrease in this period is the investment loss of NT\$1,337 thousand recognized using the equity method.
Global Co., Ltd.'s increase in this period is the investment income recognized using the equity method of NT\$1,551 thousand; the decrease in the current period is due to cash dividends distributed in the current period.

International Co., Ltd.'s increase in the current period is NT\$6,037 thousand of investment income recognized under the equity method; the decrease in the current period is due to the exchange difference in the current period of foreign operations assessed according to IAS 21, amounting to NT\$2,491 thousand.

Loong Textile MFG. (Vietnam)'s increase in the current period is the investment income recognized under the equity method of NT\$8,851 thousand; the decrease in the current period is due to the cash amount of NT\$10,271 thousand and exchange differences on translation of the financial statements of foreign operations assessed according to IAS 21, amounting to NT\$2,690 thousand.

TEAM GLOBAL ENTERPRISE CO., LTD.'s increase in the current period is exchange differences on translation of the financial statements of foreign operations assessed according to IAS 21, amounting to NT\$8,352 thousand recognized using the equity method.

Table 5

Toung Loong Textile MFG. Co., Ltd.

Property, Plant, and Equipment Change Table

For the year ended December 31, 2023

Please refer to Note 6 (6) of the Parent Company Only Financial Report for relevant information.

Table 6

Toung Loong Textile MFG. Co., Ltd.

Accumulated Depreciation and Impairment Change Table

For the year ended December 31, 2023

Please refer to Note 6 (6) of the Parent Company Only Financial Report for relevant information.

Table 7

Toung Loong Textile MFG. Co., Ltd.**Short-term Loans Table****December 31, 2023**

Creditor	Loan type	Balance on December 31	Term of contract	Interest rate range	Credit limit	Guarantee or pledge	Remarks
Hua Nan Bank (Puqian Branch)	Procurement loan	\$ 7,027	One year	According to the bank's general prevailing interest rate	\$ 450,000	Please refer to Note 8 of the financial report	
Mega Bank (Banqiao Branch)	Mortgage loan	100,000			150,000		
Hua Nan Bank (Puqian Branch)	"	320,000			450,000		
Bank of Taiwan (Huajiang Branch)	"	60,000			60,000		
Chang Hwa Bank (Wanhua Branch)	"	100,000			410,000		
The Export-Import Bank of R.O.C.	Credit loans	150,000			150,000		
E.SUN Commercial Bank (Xinzhuang Branch)	"	50,000			50,000		
Yunta Bank (New Taipei City Regional Center)	"	50,000			50,000		
Far Eastern Bank (Zhonghe Branch)	"	100,000			200,000		
First Commercial Bank (Renhe Branch)	"	100,000			100,000		
Taishin Bank (Guandongciao Branch)	"	50,000			150,000		
Total		\$ 1,087,027					

Table 8

Toung Loong Textile MFG. Co., Ltd.

Schedule of short-term bills payable

December 31, 2023

Items	Guarantee or acceptance institution	Term of contract	Interest rate range	Amount			Remarks
				Amount issued	Unamortized discount on short-term bills payable	Carrying amount	
Commercial papers payable	Taiwan Cooperative Bills	2023.12.04 ~ 2024.01.03	1.68%	\$ 50,000	(5)	\$ 49,995	
Commercial papers payable	Taiwan Finance Corporation	2023.12.22 ~ 2024.01.10	1.45%	50,000	(27)	49,973	
				\$ 100,000	#	\$	
					(32)	#	\$ 99,968

Table 9

Toung Loong Textile MFG. Co., Ltd.**Statement of accounts payable****December 31, 2023**

<u>Manufacturer Name</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Non-related party			
Company AA	Payment	\$ 65,113	
Company BB	"	60,040	
Other (under 5% total)	"	64,776	
Total		\$ 189,929	

Table 10

Toung Loong Textile MFG. Co., Ltd.**Statement of long-term borrowings****December 31, 2023**

Please refer to Note 6 (8) of the Parent Company Only Financial Report for relevant information.

Table 11

Toung Loong Textile MFG. Co., Ltd.**Statement of operating revenue****For the year ended December 31, 2023**

<u>Item</u>	<u>Weight</u>		<u>Amount</u>	<u>Remarks</u>
Cloth yarn	8,525,436	KGS	\$ 2,499,618	
Others	475,205	KGS	102,995	
Total			\$ 2,602,613	

Table 12

Toung Loong Textile MFG. Co., Ltd.

Statement of operating costs

For the year ended December 31, 2023

Items		Amount
Raw material		
Initial stock		\$ 71,857
Plus:	Current period incoming materials	1,226,157
	Raw material inventory surplus	3,246
Less:	End-of-period stock	(80,045)
	Raw material sales	(54,368)
	Other subtraction items	(42)
Current period consumption		1,166,805
Materials		
Initial stock		42,725
Plus:	Current period incoming materials	179,922
Less:	End-of-period stock	(32,932)
	Raw material inventory loss	(10)
	Material sales	(1,527)
	Other subtraction items	(56,101)
Current period consumption		132,077
Direct labor		152,461
Production overheads		802,762
Production cost		2,254,105
Plus:	Initial period work-in-progress	303,262
Less:	End period work in progress	(357,037)
	Other subtraction items	(147)
Cost of finished goods inventory		2,200,183
Plus:	Initial period finished products	1,065,304
	Outsourced finished product	1,214
Less:	End period finished products	(816,993)
	Finished product inventory loss	(1,590)
	Other subtraction items	(7,332)
Cost of sales		2,440,786
Plus:	Costs of raw material sales	54,368
	Other additional items	3,912
	Inventory valuation losses	724
	Inventory loss	(1,647)
Operating costs		\$ 2,498,143

Table 13

Toung Loong Textile MFG. Co., Ltd.**Statement of Manufacturing Expenses****For the year ended December 31, 2023**

Item	Amount
Indirect labor	\$ 62,889
Repair and maintenance expense	48,169
Utility expense	192,002
Depreciation	332,020
Other expenses (Note)	167,682
Total	\$ 802,762

Note: Aggregation accounting for less than 5% of the total amount

Table 14

Toung Loong Textile MFG. Co., Ltd.**Statement of operating expenses****For the year ended December 31, 2023**

Note: Aggregation accounting for less than 5% of the total amount

Item	Selling expenses	Administrative expenses	R&D expenses
Salary	\$ 11,637	\$ 42,560	\$ 8,380
Freight expense	13,469	12	7
Insurance expense	1,438	2,866	1,064
Depreciation	1,643	6,270	1,804
Sample expense	3,261	-	3
Royalty	12,823	-	-
Other expenses (Note)	9,965	19,814	3,749
Total	\$ 54,236	\$ 71,522	\$ 15,007

VI. In the event of any insolvency or financial difficulties of the Company and its affiliates in the most recent fiscal year and during the current fiscal year up to the date of publication of this annual report, specify its impact on the Company's financial status: N/A

Chapter 7 Review and Analysis of Overview of Finance Status and Performance, and Risk Management

I. Financial position

Unit: Amounts expressed in thousands of New Taiwan Dollars

Item \ Year	2022	2023	Difference	
			Amount	%
Current asset	2,545,666	2,479,296	-66,370	-2.61%
Property, Plant and Equipment	3,006,344	3,021,886	15,542	0.52%
Other assets	430,983	327,147	-103,836	-24.09%
Total Assets	5,982,993	5,828,329	-154,664	-2.59%
Current liabilities	2,003,556	1,859,972	(143,584.00)	-7.17%
non-current liabilities	1,188,245	1,299,447	111,202	9.36%
Total liabilities	3,191,801	3,159,419	-32,382	-1.01%
Equity attributable to the parent company	2,734,155	2,614,598	-119,557	-4.37%
Share capital	1,226,920	1,226,920	0	0.00%
Additional paid-in capital	167,271	167,271	0	0.00%
Retained earnings	1,380,147	1,278,355	-101,792	-7.38%
Other equities	(40,183)	(57,948)	-17,765	44.21%
Treasury stocks	0	0	0	0.00%
Non-controlling interest	57,037	54,312	-2,725	-4.78%
Total equity	2,791,192	2,668,910	-122,282	-4.38%

Where changes in assets, liabilities, and shareholders' equity reach 20% or more in the two most recent fiscal years, please state the main reasons and impacts thereof:

1. Other assets: Due to the decrease in equipment investment this year compared to last year, other assets decreased.
2. Other equity: Decrease in unrealized valuation gain or loss due to exchange differences on foreign financial statements, and financial assets measured at fair value through other comprehensive income.

II. Financial performance

Unit: Amounts expressed in thousands of New Taiwan Dollars

Item \ Year	2022	2023	Difference	
			Amount	%
Operating revenue	4,099,883	2,818,246	-1,281,637	-31.26%
Gross profit	440,584	171,611	-268,973	-61.05%
Operating profit or loss	160,574	(9,308)	-169,882	-105.80%
Non-operating income and expense	45,173	(3,286)	-48,459	-107.27%
Profit before tax	205,747	(12,594)	-218,341	-106.12%
Profit from continuing operations	172,300	(12,152)	-184,452	-107.05%
Loss from discontinued operations	0	0	0	0
Current net income	172,300	(12,152)	-184,452	-107.05%
Other comprehensive income in the current period (net amount after tax)	33,680	(19,110)	-52,790	-156.74%
Total comprehensive income in the current period	205,980	(31,262)	-237,242	-115.18%
Net profit attributable to parent company	167,570	(15,908)	-183,478	-109.49%
Net profit attributable to non-controlling interests	4,730	3,756	-974	-20.59%
Total comprehensive income attributable to parent company	197,488	(33,673)	-231,161	-117.05%
Total comprehensive income attributable to non-controlling interests	8,492	2,411	-6,081	-71.61%
EPS (NT\$)	1.37	(0.13)	-1.50	-109.49%

- i. Where changes in operating revenue, operating income, and pre-tax income reach 20% or more in the two most recent fiscal years, please state the main reasons:
 1. Operating revenue, gross profit, operating profit or loss, profit before tax, profit from continuing operations, net income, total current comprehensive income, profit attributable to owners of the parent, comprehensive income attributable to owners of parent, total comprehensive income in the current period, EPS (NT\$): Decline in total current comprehensive income, EPS (NT\$), orders due to destocking at downstream clients, operating revenues and gross margins has resulted in YoY decrease of overall profitability.
 2. Non-operating income and expenses: Due to exchange rate factors, exchange benefits decreased and interest rates increased, and interest expenses increased.
 3. Other comprehensive income for the period (net amount after tax): Due to the decrease in exchange gains and losses due to translation of foreign financial statements
 4. Net profit attributable to non-controlling interest: A decrease in net income caused net profit attributable to non-controlling interest to drop.
- ii. Potential impact of expected sales volume and its basis (financial performance) on the Company's future financial operations and contingency planning:
It has been determined that expected sales volume and its basis (see page 2) has no impact on future financial operations.

III. Cash flows

- (I) Analysis of changes in cash flows in the most recent fiscal year and corrective planning in response to liquidity shortages:

Item \ Year	2022	2023	Percentage of increase/decrease
Cash flow ratio (%)	27.04	26.68	-1.33%
Cash flow adequacy ratio (%)	74.43	89.64	20.44%

Changes in the cash flow adequacy ratio exceeding 20% :due to decreases in capital expenditures, inventory increases and cash dividend payments.

Unit: Amounts expressed in thousands of New Taiwan Dollars

Cash balance at beginning of period	Net cash inflow from operating activities over the entire year	Cash outflow over the entire year	Cash surplus (deficit)	Corrective planning in response to liquidity shortages	
636,125	496,316	431,818	700,623	Not applicable.	Not applicable.

- (II) Cash liquidity analysis for the upcoming year: Cash inflow and outflow from operating activities are projected to reach NT\$500,000 thousand and NT\$570,000 thousand, respectively. Cash flows are expected to be regular and sufficient to meet the Company's operating needs over the entire year.

IV. Impact of any major capital expenditures in the most recent fiscal year on the financial operations of the Company

Expenditures for investments in fixed assets (plants and equipment) in the current fiscal year was NT\$260,969 thousand, which represents an decrease over the previous year. Self-owned capital and mid- and long-term bank loans are the main funding sources. The credit limit of the Company is adequate to meet the capital requirements of the Company and the debt ratio has dropped slightly. In view of the sound financial structure, major impacts of such expenditures are not expected. Recent investments in equipment with significant expected benefits are complete. These investments are projected to generate positive growth momentum for the Company's financial and business operations.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, corrective planning, and investment plans for the upcoming year:

Reinvestment operations which focus on the textile industry are proceeding smoothly. The Company has not adopted any major reinvestment plans for the upcoming year.

VI. Risk analysis and assessment in the most recent fiscal year and during the

current fiscal year up to the date of publication of this annual report:

1. Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future countermeasures:

Item	2023 (NT\$ thousand; %)
Net interest income and expenses	(19,770)
Net exchange gains and losses	1,394
Net interest income and expenses as a percentage of net revenue	-0.70%
Net interest income and expenses as a percentage of profit before tax	156.98%
Net exchange gains and losses as a percentage of net revenue	0.05%
Net exchange gains and losses as a percentage of profit before tax	-11.07%

- Interest rate changes: As of the end of 2023, financial liabilities with cash flow risks associated with interest rate changes amount to NT\$ 2,594,958 thousand. Market interest rate changes cause corresponding changes in effective interest rates of such financial products. A rise in the market interest rate by 1% would trigger an increase in relevant annual expenses of the Company by around NT\$25,946 thousand.
 - Exchange rate changes: The Company is engaged in import/export operations and financial dealings denominated in foreign currencies. Exchange rate fluctuations mainly affect costs and revenues. As of the end of 2023, foreign exchange assets and net liabilities affected by exchange rate fluctuation risks total NT\$614,296 thousand. Market interest rate changes cause corresponding changes in effective interest rates of such financial products. A rise in the market interest rate by 1% would trigger an increase in relevant gains/losses by around NT\$6,143 thousand. Inflation: In recent years, the interest rate in Taiwan has ranged between 2% and 3%. Raw materials required by the Company are mostly provided by domestic suppliers. For instance, the local procurement amount in 2023 amounted to approximately NT\$1.4billion. If this amount is taken as an example, an interest rate rise by 1% would trigger an increase of annual expenses by around NT\$1,400,000.
- 2. The Company's policy regarding high-risk investments, high-leverage investments, loans to other parties, endorsements, guarantees, and derivative transactions; the main reasons for the profits/losses generated thereby; and future countermeasures:** The Company doesn't engage in high-risk or high-leverage investments or derivative transactions and is firmly committed to a policy of stability and steady growth. Subsidiaries are the main beneficiaries of loans to other parties, endorsements, and guarantees. The Company pursues a conservative approach and refrains from excessive expansion in this area.
- 3. Future R&D plan and expected investment in R&D expenses:** Approximately NT\$16,000 thousand is expected to be invested in 2024. Each R&D project is aimed at process improvement and joint R&D in response to customer needs, which is expected to enhance the growth of the overall operation.

Plan name	Plan description
Processing and utilization of stratum-like texture effects	New yarn types with stratum-like cross-section textures can be manufactured by utilizing raw material properties paired with adjusted configurations and settings. These yarns can be utilized in the manufacture of sports and casual wear and underwear.
Processing and utilization of shooting star texture effects	New yarn types with shooting star-like, irregular relief effects can be manufactured by utilizing raw material properties paired with adjusted configurations and settings. These yarns can be utilized in the manufacture of sports and casual wear and fashion apparel.
Processing and utilization of unique Springfil elasticity effects	New yarn types with unique elasticity effects can be manufactured by utilizing raw material properties paired with adjusted configurations and settings. Effective conservation of natural resources and reduction of carbon emissions can be achieved through the selection of recycled raw materials. These yarns ensure optimal breathability, cotton feel, and resilience and can be utilized in the manufacture of men's shirts and casual wear.

4. Changes in important policies and legal environment at home and abroad, and the effect on the financial status and operations of the Company, and countermeasures:

Impacts:

- (1) The contents of various free trade agreements related to regional economies or bilateral relations may affect the company's domestic and international market competition, export tax rates in production locations, etc. Additionally, revisions to local government laws and regulations regarding human rights, minimum wages, and pollution prevention in production areas may also impact production costs.
- (2) Changes in the quality certification standards for imported textiles in the export market may result in the improvement of manufacturers' processing raw materials and process technologies.

Therefore, the Company usually pays close attention to the domestic and foreign political and economic situations, major policy formulations and legal changes, and compiles response plans for the management's decision-making. All business units and production sites have complied with local laws and regulations.

5. The effect of developments in science and technology (including cyber security risks) as well as industrial changes on financial status and operations of the Company, and countermeasures:

Impacts:

- (1) In terms of raw materials, technological changes can enable a wider range of applications for end products; in terms of manufacturing, technological changes can improve the technology of weaving, dyeing and finishing equipment, and improve in terms of production capacity and

energy conservation.

- (2) Fiber processing. The impact of technological changes lies mainly in the use of IT equipment and the strengthening of management tools and technologies in industrial engineering. In this regard, the Company works with raw material suppliers and process equipment suppliers to develop customized raw materials and equipment, and grasp the know-how of the production process. The Company also uses information technology to continuously improve the ERP system and improve management efficiency.

In terms of information communication security, the Company's Information Office is responsible for the planning and execution of information communication security protection and the promotion and implementation of information communication policies to ensure the operation of the information security management mechanism. All information security rules and regulations are incorporated into the management and operation system. We have implemented firewalls, deployed an Endpoint Detection and Response (EDR) solution to detect and block threats from ransomware and computer viruses, as well as an email filtering and scanning mechanism to filter out spam, phishing emails, and emails containing malware. We also regularly review the system logs of various network services to track abnormal activities, ensuring the protection of personal data, internal confidential data, and customer and supplier data.

- 6. Impact of changes in corporate image on corporate crisis management and corresponding measures:** Since its establishment, the Company has upheld integrity as its foundation, striving to provide high-quality products and services to create maximum value for customers, employees, and shareholders. So far, there has been no risk to the Company's operations due to changes in its corporate image. The Company values the relationship with customers, suppliers and investors, and maintains openness and transparency in corporate governance information in order to establish a good corporate image. The Company immediately clarifies the unbiased and objective media reports on the Company; if it is material, it will be announced and explained in accordance with the law.
- 7. Expected benefits and possible risks associated with mergers and acquisitions, and countermeasures:** None.
- 8. Expected benefits and possible risks associated with plant expansion, and countermeasures:** None.
- 9. Risks associated with any concentration of sales or purchasing operations, and countermeasures:** Supply shortages and suspensions are the main risks associated with a concentration of purchasing operations. Such risks are minimized through the substitution of other suppliers. Shrinking customer orders or unstable financial status are the main risks associated with concentration of sales operations: The impact of shrinking customer orders can be minimized through substitution of other customers. Unstable financial conditions can be prevented through intensified credit checks, shortened collection periods, and cash-based transaction to minimize losses.
- 10. Impacts and risks associated with large share transfers or changes in shareholdings of directors, supervisors, or major shareholders with a stake of at least 10%, and countermeasures:** None.

- 11. Impacts and risks associated with changes in governance personnel or top management, and countermeasures:** None.
- 12. For litigious and non-litigious matters, please list major litigious, non-litigious or administrative disputes that have been resolved or are still pending involving the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and any subsidiaries. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report:** None.
- 13. Other important risks, and countermeasures being or to be taken:** None.

VII. Other material issues

- (I)** Endorsements and guarantees provided to others: As of the publication date of the annual report, endorsements and guarantees provided by the Company amount to NT\$80,000 thousand.
- (II)** Funds lent by the Company to others: N/A
- (III)** Derivative transactions engaged in by the Company: N/A

Chapter 8 Special notes

I. Information on affiliated enterprises

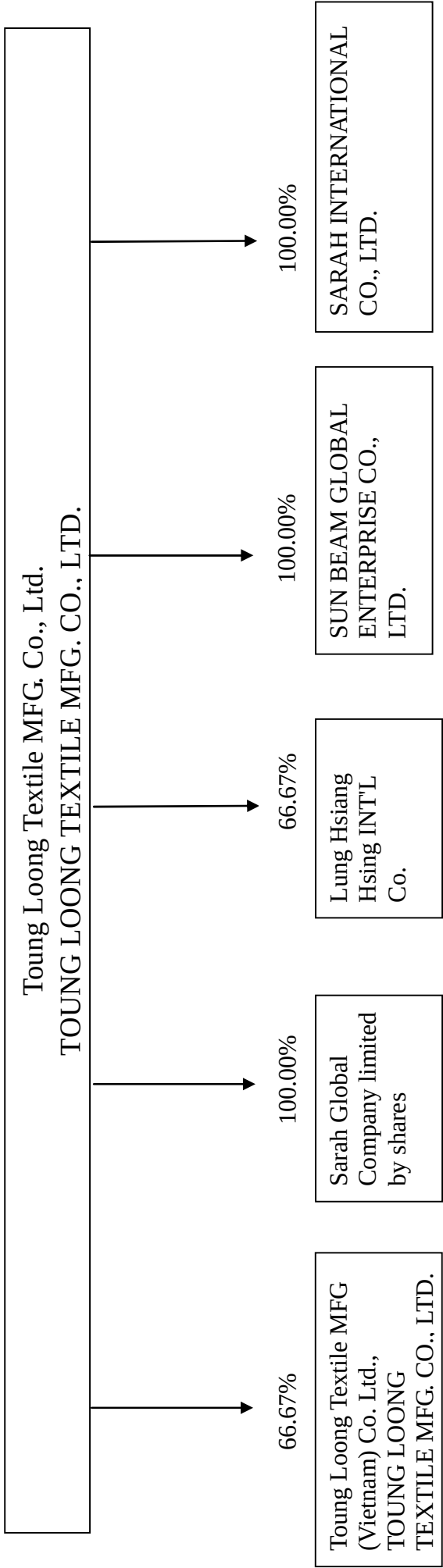
(I) Consolidated business report of affiliates

1. Organizational chart of the affiliates

Toung Loong Textile MFG. Co., Ltd.

Organizational chart of the affiliates

2023



2. Basic information of affiliates

Basic information of affiliates

Unit: Amounts expressed in thousands of New Taiwan Dollars

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
Toung Loong Textile MFG. Co., Ltd.	1961.08.14	19F., No. 31, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	1,226,920	Manufacturing, sale, and wholesale of man-made fiber sewing thread and weaving yarn Manufacturing and distribution of hybrid thread consisting of different types of cotton, wool, hemp thread, and artificial silk
Sarah Global Co., Ltd.	2006.04.24	21F.-2, No. 37, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	20,000	Wholesale and retail sale of cloth and textile thread
Lung Hsiang Hsing INT'L Co.	1998.02.18	19F., No. 33, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	24,000	International Trade Wholesale of machinery, cloth, dyes, pigments, packing materials, petroleum products and retail sale of cloth
Toung Loong Textile MFG (Vietnam) Co. Ltd.,	1997.09.01	E5-E6 Lots, Viet Huong Industrial Park Thuan An Town, Binh Duong Province, Viet Nam	USD4,250,000 Exchange rate US\$1:NT\$30.71	Manufacturing of weaving yarn
SARAH INTERNATIONAL CO., LTD	2004.01.19	Binh Chuan Product Zone, Binh Chuan Commune, Thuan An District, Binh Duong Province, VN	USD1,855,318 Exchange rate US\$1:NT\$30.71	Manufacturing of weaving yarn
SUN BEAM GLOBAL ENTERPRISE CO., LTD	2006.04.27	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	USD5,000 Exchange rate US\$1:NT\$30.71	General commerce

Note 1: All affiliates should be disclosed irrespective of their size

Note 2: Where affiliates have set up plants whose sales value exceeds 10% of the operating revenue of the controlling company, the name, date of establishment, address, and main categories of manufactured products should be listed.

Note 3: Where the affiliate is a foreign-based company, the English company name and address can be specified and the date of establishment can be written in the Western calendar format. The paid-in capital can be expressed in foreign currency (the exchange rate on the financial statement date should be indicated).

3. Shareholders presumed to represent both the controlling company and subsidiaries: N/A.
4. Business dealings and division of duties between affiliates:
 - (1) Industries (business operations) engaged in by affiliates: Textile industry, international trade, investment
 - (2) Lung Hsiang Hsing INT'L Co. acts as an agent for the foreign subsidiary Toung Loong Textile MFG (Vietnam) Co. Ltd. in procurement and sales related matters
 - (3) Toung Loong Textile MFG (Vietnam) Co. Ltd. mainly focuses on the local Vietnamese market. Its production operations rely on machinery and equipment provided by the parent company. Sewing thread represents an overlapping business area of the parent and its subsidiary in Vietnam. Despite occasional mutual support, these two companies are independently operating entities.
 - (4) There are no business dealings or division of duties between other affiliates.
5. Directors, Supervisors and Presidents of affiliates

Profiles of Directors, Supervisors and Presidents of affiliates

Unit: NT\$ thousand; shares; %

Name of enterprise	Position (Note 1)	Name or representative	Shares held (Note 2)	
			Shares	Shareholding percentage
Toung Loong Textile MFG. Co., Ltd.	Chairman	Chih-Chen Yu	2,938,003	2.39%
	Director	Ching-Chung Yu	1,761,550	1.44%
	Director	Jung-Chieh Yu	6,405,719	5.22%
	Director	Rong-Lih Yu	6,368,094	5.19%
	Director	Mao Jia Investment Ltd.	5,043,028	4.11%
		Representative: Chiu-Yueh Chen	2,602	0.00%
	Director	Siang Hao Investment Co.,Ltd.	1,045,500	0.85%
		Representative: Kai-Ping Chang	85,144	0.07%
	Director	Sara Rose International Inc.	4,896,567	3.99%
		Representative: Jing-Woei Jou	102,524	0.08%
	Director	GTO CNC Solutions Corp.	3,830,100	3.12%
		Representative: Po-Yang Chen	0	0.00%
	Independent director	Hsueh-Tao Wu	5,100	0.00%
	Independent director	Tai-Feng Huang	0	0.00%
	Independent director	Yu-Te Ma	106,080	0.09%

Unit: NT\$ thousand; shares; %

Name of enterprise	Position (Note 1)	Name or representative	Shares held (Note 2)	
			Shares	Shareholding percentage
Toung Loong Textile MFG. (Vietnam)	Chairman	Toung Loong Textile MFG. Co., Ltd. (Representative: Chih-Chen Yu)	USD2,843,167	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Jung-Chieh Yu)	USD2,843,167	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Rong-Lih Yu)	USD2,843,167	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Chin-I Lin)	USD2,843,167	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Wu-Yu Peng)	USD2,843,167	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Tai-Chen Chen)	USD2,843,167	66.67%
	Director	Chien-Chung Ke	USD472,222.34	11.11%
	Director	Chien-Kuo Ke	USD472,222.33	11.11%
	Director	Hui-Chuan Wu	USD472,222.33	11.11%
Sarah Global Co., Ltd.	Chairman	Toung Loong Textile MFG. Co., Ltd. (Representative: Chih-Chen Yu)	2,000,000	100.00%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Jung-Chieh Yu)	2,000,000	100.00%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Tai-Chen Chen)	2,000,000	100.00%
	Supervisor	Toung Loong Textile MFG. Co., Ltd. (Representative: Wu-Yu Peng)	2,000,000	100.00%
Lung Hsiang Hsing INTL Co.	Chairman	Toung Loong Textile MFG. Co., Ltd. (Representative: Chih-Chen Yu)	1,600,000	66.67%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Tai-Chen Chen)	1,600,000	66.67%
	Director	Chien-Chung Ke	300,000	12.50%
	Supervisor	Wu-Yu Peng	0	0.00%
	Supervisor	Hui-Chuan Wu	0	0.00%
SARAH INTERNATIONAL CO., LTD.	Chairman	Toung Loong Textile MFG. Co., Ltd. (Representative: Chih-Chen Yu)	USD1,855,318	100.00%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Wu-Yu Peng)	USD1,855,318	100.00%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Tai-Chen Chen)	USD1,855,318	100.00%
	Director	Toung Loong Textile MFG. Co., Ltd. (Representative: Jung-Chieh Yu)	USD1,855,318	100.00%
SUN BEAM GLOBAL ENTERPRISE CO., LTD.	Chairman	Toung Loong Textile MFG. Co., Ltd. (Representative: Chih-Chen Yu)	5,000	100.00%

Note 1: If the affiliate is a foreign company, please list the person that holds an equivalent position.

Note 2: If the investee is a company limited by shares, please specify the number of shares and equity stake held; otherwise, please specify the capital contribution and percentage of contributed capital.

Note 3: If the director or supervisor is a juridical person, please disclose the information of its representative.

6. Operating conditions of affiliates

Operational status of affiliates

Unit: US\$, NT\$ thousand

Company name	Capitalization	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Current profit and loss (after tax)	Earnings per share (NTD) (after tax)
Toung Loong Textile MFG. Co., Ltd.	1,226,920	5,740,263	3,125,665	2,614,598	2,602,613	(32,664)	(15,908)	(0.13)
Toung Loong Textile MFG (Vietnam) Co. Ltd.	USD4,250,000 Exchange rate US\$1: NT\$ 30.705	180,757	32,032	148,726	176,550	15,083	13,275	0.00
SARAH INTERNATIONAL CO., LTD.	USD1,855,318 Exchange rate US\$1: NT\$ 30.705	90,959	1,620	89,339	43,275	4,097	6,037	0.00
Sarah Global Co., Ltd.	20,000	29,651	425	29,226	31,566	1,128	1,551	0.78
SUN BEAM GLOBAL ENTERPRISE CO., LTD	USD5,000 Exchange rate US\$1: NT\$ 30.705	41,815	0	41,815	0	0	(8,352)	0.00
Lung Hsiang Hsing INT'L Co.	24,000	14,519	292	14,227	1,389	(2,581)	(2,005)	(0.84)

Note 1: All affiliates should be disclosed irrespective of their size

Note 2: Where affiliates are foreign-based companies, relevant amounts should be converted into New Taiwan Dollars based on the exchange rate on the financial statement date.

(II) Consolidated financial statements of the affiliates: N/A

(III) Affiliation report: N/A

II. State of private placement of securities, date and amount approved by a shareholders' meeting or the Board of

Directors, basis and rationale for the setting of the price, means of selecting specified persons, reasons necessitating the private placement, and the status of utilization of the funds and plan implementation progress from the time the price of the shares or subscription has been paid up in full until the fund utilization plan has been completely carried out in the most recent fiscal year and during the current fiscal year up to the date of publication of this annual report:

N/A.

- III. Shareholdings or disposal of shares of the Company by the company's subsidiaries during the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report:** Subsidiaries currently don't hold any shares issued by the Company.
- IV. Other matters requiring supplementary description:** N/A.
- V. Pending OTC commitments:** N/A.

Chapter 9 **Any material impacts on shareholders' equity or the price of the Company's securities as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report:**
N/A.