

**Fu Ta Material Technology Co., Ltd.
And Subsidiary**

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2023 and 2022, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2023 and 2022. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2023.

Very truly yours,

Fu Ta Material Technology Co., Ltd.

By

March 14, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Fu Ta Material Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fu Ta Material Technology Co., Ltd. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 was discussed as follows:

Existence of cash and Funds Management

As of December 31, 2023, the Group's cash and bank in deposit amounted to 273,059 thousand, which represented 54% of the Group's total assets, because cash and bank in deposits have highly inherent risks, and management's evaluation of investments and approval of capital utilization were significant to consolidated financial statements. Therefore, we identified cash and bank in deposit as a key audit matter as of December 31, 2023. Please refer to Notes 4(F), 4(M), 6(A), 6(C), 6(J) and 8 to the consolidated financial statements for the related accounting policies and detailed disclosures.

The main audit procedures that we performed in respect of existence of cash and funds Management were as follows:

1. We selected samples of bank receipts and withdrawals from the ledger to verify the legitimacy of bank receipt and examined the appropriateness of the approval of vouches.
2. We obtained details of the Group's bank in deposits and verified their balances to the corresponding bank statements. In addition, we issued bank confirmation to all correspondent banks and verified the reconciliation of bank in deposit balances with the responses of bank confirmations.
3. Check whether the bank in deposits that have been designated for designated purposes or subject to restrictions in the bank confirmations have been properly disclosed in the consolidated financial statements.
4. Calculated and evaluated whether the financial costs of bank borrowings and interest income from bank in deposits were reasonableness used in the valuation.

Other Matter

We have also audited the consolidated financial statements of Fu Ta Material Technology Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jim Chen Ko and Tzu Yang Wang.

Weyong International CPAs & Co.
Taichung, Taiwan
Republic of China

March 14, 2024

Notice to Readers

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

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

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

In Thousands of New Taiwan Dollars

CODE	ASSETS	NOTE	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	CURRENT ASSETS					
1100	Cash	6(A)	\$ 273,059	54	\$ 20,299	4
1136	Financial assets at amortized cost - current	6(C) and 8	-	-	223,568	41
1150	Notes receivable, net	6(D)	3,536	1	14,960	3
1170	Accounts receivable, net	6(D)	1,214	-	18,218	3
1200	Other receivables		152	-	550	-
1220	Current tax assets	6(Q)	1,023	-	314	-
130X	Inventories	6(E)	1,517	-	30,178	6
1410	Prepayments	7	3,632	1	5,206	1
1470	Other current assets		-	-	2	-
11XX	Total current assets		<u>284,133</u>	<u>56</u>	<u>313,295</u>	<u>58</u>
	NONCURRENT ASSETS					
1600	Property, plant and equipment	6(H) and 8	181,671	36	180,838	33
1755	Right-of-use assets	6(I)	38,789	7	38,210	7
1840	Deferred income tax assets	6(Q)	54	-	6,255	1
1920	Refundable deposits		<u>2,798</u>	<u>1</u>	<u>2,798</u>	<u>1</u>
15XX	Total noncurrent assets		<u>223,312</u>	<u>44</u>	<u>228,101</u>	<u>42</u>
1XXX	TOTAL ASSETS		<u>\$ 507,445</u>	<u>100</u>	<u>\$ 541,396</u>	<u>100</u>
	LIABILITIES AND EQUITY					
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(J) and 7	\$ -	-	\$ 207,371	39
2130	Contract liabilities - current	6(O)	4	-	4,067	1
2150	Notes payable	6(K)	542	-	2,068	-
2170	Accounts payable	6(K)	526	-	2,255	-
2200	Other payables	6(L) and 7	10,216	2	8,898	2
2280	Lease liabilities - current	6(I)	1,188	-	6,289	1
2300	Other current liabilities		1,034	-	1,141	-
2320	Current portion of long-term borrowings	6(J) and 7	-	-	2,053	-
21XX	Total current liabilities		<u>13,510</u>	<u>2</u>	<u>234,142</u>	<u>43</u>
	NONCURRENT LIABILITIES					
2540	Long-term borrowings	6(J) and 7	-	-	9,935	2
2570	Deferred income tax liabilities	6(Q)	-	-	5,488	1
2580	Lease liabilities - non-current	6(I)	<u>19,345</u>	<u>4</u>	<u>17,348</u>	<u>3</u>
25XX	Total non-current liabilities		<u>19,345</u>	<u>4</u>	<u>32,771</u>	<u>6</u>
2XXX	Total liabilities		<u>32,855</u>	<u>6</u>	<u>266,913</u>	<u>49</u>
	EQUITY					
3110	Ordinary shares	6(N)	679,918	134	459,918	85
3200	Capital surplus	6(N)	-	-	23,191	5
3350	Accumulated deficit	6(N)	(225,235)	(44)	(228,533)	(43)
3400	Other equity		<u>19,907</u>	<u>4</u>	<u>19,907</u>	<u>4</u>
3XXX	Total equity		<u>474,590</u>	<u>94</u>	<u>274,483</u>	<u>51</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 507,445</u>	<u>100</u>	<u>\$ 541,396</u>	<u>100</u>

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

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Thousands of New Taiwan Dollars,
Except Loss Per Share

CODE		NOTE	2023		2022	
			Amount	%	Amount	%
4000	OPERATING REVENUE	6(O) and 7	\$ 76,959	100	\$ 171,703	100
5000	OPERATING COSTS	6(E) and 6(P)	<u>78,743</u>	<u>102</u>	<u>150,045</u>	<u>87</u>
5900	GROSS (LOSS) PROFIT		(<u>1,784</u>)	(<u>2</u>)	<u>21,658</u>	<u>13</u>
	OPERATING EXPENSES	6(P) and 7				
6100	Selling and marketing expenses		3,968	5	5,725	3
6200	General and administrative expenses		34,810	45	27,636	16
6450	Expected credit loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses		<u>38,778</u>	<u>50</u>	<u>33,361</u>	<u>19</u>
6900	LOSS FROM OPERATIONS		(<u>40,562</u>)	(<u>52</u>)	(<u>11,703</u>)	(<u>6</u>)
	NON-OPERATING INCOME AND EXPENSES					
7010	Other income		6,651	9	609	-
7020	Other gains and losses	6(P) and 7	12,889	16	11,481	7
7050	Finance costs	6(P)	(4,165)	(6)	(4,347)	(3)
7100	Interest income	6(P)	<u>6,694</u>	<u>9</u>	<u>3,408</u>	<u>2</u>
7000	Total non-operating income and expenses		<u>22,069</u>	<u>28</u>	<u>11,151</u>	<u>6</u>
7900	LOSS BEFORE INCOME TAX		(18,493)	(24)	(552)	-
7950	INCOME TAX EXPENSE	6(Q)	(<u>1,400</u>)	(<u>1</u>)	(<u>7,416</u>)	(<u>4</u>)
8200	NET LOSS FOR THE YEAR		(<u>19,893</u>)	(<u>25</u>)	(<u>7,968</u>)	(<u>4</u>)
8300	OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8500	TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(<u>\$ 19,893</u>)	(<u>25</u>)	(<u>\$ 7,968</u>)	(<u>4</u>)
	NET LOSS ATTRIBUTABLE TO:					
8610	Owners of the Company		(\$ 19,893)	(25)	(\$ 7,968)	(4)
8620	Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			(<u>\$ 19,893</u>)	(<u>25</u>)	(<u>\$ 7,968</u>)	(<u>4</u>)
	TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
8710	Owners of the Company		(\$ 19,893)	(25)	(\$ 7,968)	(4)
8720	Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			(<u>\$ 19,893</u>)	(<u>25</u>)	(<u>\$ 7,968</u>)	(<u>4</u>)
	LOSS PER SHARE, NT\$	6(R)				
9710	Basic		(<u>\$ 0.43</u>)		(<u>\$ 0.17</u>)	
9810	Diluted		(<u>\$ 0.43</u>)		(<u>\$ 0.17</u>)	

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

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Thousands of New Taiwan Dollars

CODE		Capital Stock	Capital Surplus	Accumulated deficit	Other equity Gains on Property Revaluations	Total
A1	BALANCE AT JANUARY 1, 2022	<u>\$ 459,918</u>	<u>\$ 23,191</u>	<u>(\$ 220,565)</u>	<u>\$ 19,907</u>	<u>\$ 282,451</u>
D1	Net loss for the year ended December 31, 2022	-	-	(7,968)	-	(7,968)
D3	Other comprehensive income (loss) for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D5	Total comprehensive income (loss) for 2022	<u>-</u>	<u>-</u>	<u>(7,968)</u>	<u>-</u>	<u>(7,968)</u>
Z1	BALANCE AT DECEMBER 31, 2022	459,918	23,191	(228,533)	19,907	274,483
C11	Capital surplus used for offsetting deficit	<u>-</u>	<u>(23,191)</u>	<u>23,191</u>	<u>-</u>	<u>-</u>
D1	Net loss for the year ended December 31, 2023	-	-	(19,893)	-	(19,893)
D3	Other comprehensive income (loss) for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D5	Total comprehensive income (loss) for 2023	<u>-</u>	<u>-</u>	<u>(19,893)</u>	<u>-</u>	<u>(19,893)</u>
E1	Private placement of ordinary shares for cash capital increase	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
Z1	BALANCE AT DECEMBER 31, 2023	<u>\$ 679,918</u>	<u>\$ -</u>	<u>(\$ 225,235)</u>	<u>\$ 19,907</u>	<u>\$ 474,590</u>

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

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

		In Thousands of New Taiwan Dollars	
Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Loss before income tax	(\$ 18,493)	(\$ 552)
A20010	Adjustments for		
A20100	Depreciation expense	11,724	11,553
A20900	Financial costs	4,165	4,347
A21200	Interest income	(6,694)	(3,408)
A22500	Net (gains) losses on disposal of property, plant and equipment	(1,341)	531
A23000	Net gain on disposal of non-current assets held for sale	(298)	-
A23700	Impairment loss recognized on non-current assets held for sale	-	10,024
A23800	Reversal of write-down of inventories	(10,271)	(7,014)
A24100	Unrealized gain on foreign currency exchange, net	-	(9,089)
A29900	Net gains on modifications of lease arrangement	(341)	-
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	11,424	3,849
A31150	Accounts receivable	17,004	5,700
A31180	Other receivables	26	(92)
A31200	Inventories	38,932	12,901
A31230	Prepayments	1,574	3,411
A31240	Other current assets	2	27
A32125	Contract liabilities - current	(4,063)	(2,181)
A32130	Notes payable	(1,935)	(353)
A32150	Accounts payable	(1,729)	(2,221)
A32180	Other payables	1,326	(332)
A32230	Other current liabilities	(107)	(398)
A33000	Cash generated from operations	40,905	26,703
A33100	Interest received	7,066	3,172
A33300	Interest paid	(4,343)	(4,337)
A33500	Income taxes paid	(709)	(224)
A33500	Income taxes refund	-	514
AAAA	Net cash generated from operating activities	<u>42,919</u>	<u>25,828</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00040	Purchase of financial assets at amortized cost	(4,306)	(225,240)
B00050	Proceeds from sale of financial assets at amortized cost	227,874	247,010
B02600	Proceeds from disposal of non-current assets held for sale	298	-

(Continued on next page)

<u>Code</u>		<u>2023</u>	<u>2022</u>
B02700	Payments for property, plant and equipment	(\$ 10,815)	(\$ 1,828)
B02800	Proceeds from disposal of property, plant and equipment	3,281	4,498
B07700	Income tax paid	(<u>687</u>)	(<u>284</u>)
BBBB	Net cash generated from investing activities	<u>215,645</u>	<u>24,156</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Proceeds from short-term borrowings	530,723	781,468
C00200	Repayments of short-term borrowings	(738,094)	(831,130)
C01600	Proceeds from long-term borrowings	12,000	12,170
C01700	Repayments of long-term borrowings	(23,988)	(7,312)
C04020	Repayment of the principal portion of lease liabilities	(6,445)	(6,107)
C04600	Proceeds from issuing shares by private placement	<u>220,000</u>	<u>-</u>
CCCC	Net cash used in financing activities	(<u>5,804</u>)	(<u>50,911</u>)
EEEE	NET INCREASE (DECREASE) IN CASH	252,760	(927)
E00100	CASH, BEGINNING OF THE YEAR	<u>20,299</u>	<u>21,226</u>
E00200	CASH, END OF THE YEAR	<u>\$ 273,059</u>	<u>\$ 20,299</u>

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

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. GENERAL INFORMATION

Fu Ta Material Technology Co., Ltd. (the “Company”) was incorporated in the Republic of China (R.O.C.) on April 3, 1970 and mainly manufactures and sells cotton woven fabric, silk weaving, linen weaving, cotton weaving, woolen fabric wholesale texts and renewable energy power generate, etc. The Company’s shares have been listed on the Taipei Exchange since July 23, 1997.

On June 5, 2012, the shareholders resolved to change the Company’s name from its former name, Fu Ta Textile Co., Ltd. to Fu Ta Material Technology Co., Ltd. and the alteration registration was completed on July 23, 2012.

The consolidated financial statements of the Company and its subsidiary, hereinafter collectively referred to as the Group, are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 14, 2024.

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

A. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- B. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless specified otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

- C. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless specified otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

A. Statement of Compliance

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

B. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3 inputs are unobservable inputs for the asset or liability.

C. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

See Note 6(G) and Table 3 for detailed information on subsidiary (including the percentages of ownership and main businesses).

D. Foreign Currencies

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

E. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a) Assets held primarily for the purpose of trading;
- b) Assets expected to be realized within 12 months after the reporting period; and
- c) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a) Liabilities held primarily for the purpose of trading;
- b) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

- c) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

F. Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) 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 FVTPL are recognized immediately in profit or loss.

a) Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

I) Financial assets at FVTPL

Financial assets mandatorily classified as at FVTPL is investments in equity instruments which are not designated as at FVTOCI. Fair value is determined in the manner described in Note 6(U).

II) Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified

dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes receivable and accounts receivable at amortized cost, other receivables and refundable deposits, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss and interest income are calculated by applying the effective interest rate to the gross carrying amount of such a financial asset .

Cash, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the

difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

b) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

c) Financial liabilities

1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

G. Inventories

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

H. Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

I. Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Original cost shall include the purchase price deduct discount and any costs incurred directly attributable to bringing the asset to the site and working condition for its intended use.

Some items of property, plant and equipment may require certain parts to be replaced at regular intervals, the cost of the replacement part would be capitalized, once the replaced item is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. Any remaining carrying amount of the part which had been replaced would be derecognized.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

J. Impairment of property, plant and equipment and right-of-use assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

K. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fabric, textile goods, and personal protective equipment. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue is measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed on by the Group with its customers. For a contract where the period between the date the Group transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for any effect of a significant financing component.

The Group does not recognize revenue on materials delivered to subcontractors because this processing does not involve a transfer of control.

b) Sale of electricity

Sales of electricity comes from solar power stations are recognized when the electricity generated is transmitted to a substation of Taiwan Power Company.

L. Leases

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

a) The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented separately in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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 in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

M. Borrowing costs

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

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

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

N. Short-term employee benefits

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

O. Taxation

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

a) Current income tax

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

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

b) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences and net operating loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model, the carrying amounts of such assets are presumed to be recovered entirely through sale.

c) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Realization of Deferred Income Tax Assets

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred income tax assets can be utilized. Assessment of the realization of the deferred income tax assets requires subjective judgment and estimate, including the future revenue growth and profitability, tax holidays and feasible tax planning strategies. Any changes in the

industry trends and relevant laws and regulations could result in significant adjustments to the deferred income tax assets.

6. DESCRIPTION OF MAJOR ACCOUNTING ITEMS

A. CASH

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 44	\$ 14
Checking accounts and demand deposits in banks	<u>273,015</u>	<u>20,285</u>
	<u>\$ 273,059</u>	<u>\$ 20,299</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deposits in bank	0.475%- 1.450%	0.200%- 1.050%

B. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) - NON-CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>

Based on the assessment, the carrying amount of the above domestic unlisted share were higher than fair value, and therefore recognized as accumulated impairment losses of 36,455 thousand.

C. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged deposits	\$ -	\$ 223,507
Restricted deposits in bank	<u>-</u>	<u>61</u>
	<u>\$ -</u>	<u>\$ 223,568</u>
Gross carrying amount	\$ -	\$ 223,568
Less : Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ -</u>	<u>\$ 223,568</u>

- a) The interest rate interval of the financial assets measured at amortized cost as of December 31, 2022 was 0.455%-4.000%.

- b) The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- c) Refer to Note 8 for information relating to financial assets at amortized cost pledged as security.

D. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 3,536	\$ 14,960
Less : Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 3,536</u>	<u>\$ 14,960</u>
Operating	\$ 3,221	\$ 14,957
Non-operating	<u>315</u>	<u>3</u>
	<u>\$ 3,536</u>	<u>\$ 14,960</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,214	\$ 18,218
Less : Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,214</u>	<u>\$ 18,218</u>

The average credit period of sales of goods is 30-95 days. No interest is charged on trade receivables from the date of the invoice. In accordance with the Group's internal credit policy, each new client must be managed and credit risk analyzed before setting their terms and conditions for payment and delivery. The Group 's internal risk control system assesses the credit quality of clients by considering their financial status, past transaction experience and other factors. The risk assessment of an individual client is based on a comprehensive consideration of the client's financial situation, credit limit assessment, historical transaction records, current economic conditions and other factors that may affect the client's ability to pay.

In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The lifetime ECLs are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer

operates, as well as the historical experience and the economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2023

	Not Past Due	Past Due Days		Total
		1 - 180 Days	Over 180 Days	
Expected credit loss rate	-	-	100%	
Gross carrying amount	\$ 4,750	\$ -	\$ -	\$ 4,750
Loss allowance (Lifetime ECLs)	-	-	-	-
	<u>\$ 4,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,750</u>

December 31, 2022

	Not Past Due	Past Due Days		Total
		1 - 180 Days	Over 180 Days	
Expected credit loss rate	-	0%-94.76%	100%	
Gross carrying amount	\$ 33,172	\$ 6	\$ -	\$ 33,178
Loss allowance (Lifetime ECLs)	-	-	-	-
	<u>\$ 33,172</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 33,178</u>

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at January 1	\$ -	\$ 17,263
Less : Amounts written off	-	(17,263)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

E. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 957	\$ 19,759
Merchandise	560	1,002
Work in process	-	4,889
Raw materials	<u>-</u>	<u>4,528</u>
	<u>\$ 1,517</u>	<u>\$ 30,178</u>

The cost of goods sold related to inventories for the years ended December 31, 2023 and 2022 were 70,861 thousand and 142,945 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversals of inventories write-downs of 10,271 thousand and 7,014 thousand, respectively. Previous write-downs were as a result in increased consumption of inventory.

F. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Solar power generating equipment	<u>\$ -</u>	<u>\$ -</u>

On August 10, 2018, the board of directors resolved to dispose of the Group's solar power generating equipment and classification of these equipment as held for sale. The equipment held for sale were measured at their fair value less costs to sell, and the differences from the previous carrying amounts were recognized as impairment losses. However, the actual loss shall be identified by the actual sale price.

Based on the assessment, the recoverable amounts of these equipment were lower than the related carrying amounts, the Group were recognized all the impairment losses in 2022.

The Group Completed the disposal of assets held for sale and recognized net gain on non-current assets held for sale of 298 thousand, under other gains and losses in December 2023 .

G. SUBSIDIARY

The consolidated entity were as follows and there is no entity excluded form consolidate financial statements as of December 31, 2023 and 2022.

Investor	Investee	Main Business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
The Company	Fu Tai Textile Co., Ltd.	Production and sales of various types of cotton yarn and blended yarn	100%	100%	1

- 1) The subsidiary Fu Tai Textile Co., Ltd.'s business has shrunk rapidly due to the general environment and prosperity. There is a huge gap between the order volume and the start-up utilization rate. For several months, the factory has been shut down and suffered serious losses every month. The board of directors resolved on May 11, 2023. Production operations are suspended. In the future, we will actively seek partners, OEMs and traders to cooperate with us in developing export business.

Information about the investment in subsidiary, please see Table 3.

H. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2023	\$ 76,475	\$ 48,246	\$ 7,492	\$ 1,298	\$ 86,161	\$ 1,331	\$ -	\$ 221,003
Additions	-	9,462	-	-	524	-	1,408	11,394
Disposals	(1,540)	-	(7,492)	-	(443)	-	-	(9,475)
Reclassifications	-	-	-	-	1,037	-	(1,037)	-
Balance at December 31, 2023	<u>\$ 74,935</u>	<u>\$ 57,708</u>	<u>\$ -</u>	<u>\$ 1,298</u>	<u>\$ 87,279</u>	<u>\$ 1,331</u>	<u>\$ 371</u>	<u>\$ 222,922</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 17,399	\$ 6,958	\$ 507	\$ 14,488	\$ 813	\$ -	\$ 40,165
Depreciation expense	-	2,139	230	194	5,836	222	-	8,621
Disposals	-	-	(7,188)	-	(347)	-	-	(7,535)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 19,538</u>	<u>\$ -</u>	<u>\$ 701</u>	<u>\$ 19,977</u>	<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 41,251</u>
Carrying amount at December 31, 2023	<u>\$ 74,935</u>	<u>\$ 38,170</u>	<u>\$ -</u>	<u>\$ 597</u>	<u>\$ 67,302</u>	<u>\$ 296</u>	<u>\$ 371</u>	<u>\$ 181,671</u>
<u>Cost</u>								
Balance at January 1, 2022	\$ 77,114	\$ 48,083	\$ 40,739	\$ 3,328	\$ 86,798	\$ 1,331	\$ 10,358	\$ 267,751
Additions	-	163	-	260	434	-	420	1,277
Disposals	(639)	-	(33,247)	(2,290)	(7,756)	-	(4,093)	(48,025)
Reclassifications	-	-	-	-	6,685	-	(6,685)	-
Balance at December 31, 2022	<u>\$ 76,475</u>	<u>\$ 48,246</u>	<u>\$ 7,492</u>	<u>\$ 1,298</u>	<u>\$ 86,161</u>	<u>\$ 1,331</u>	<u>\$ -</u>	<u>\$ 221,003</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 15,492	\$ 40,106	\$ 2,429	\$ 15,883	\$ 591	\$ -	\$ 74,501
Depreciation expense	-	1,907	99	368	6,064	222	-	8,660
Disposals	-	-	(33,247)	(2,290)	(7,459)	-	-	(42,996)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 17,399</u>	<u>\$ 6,958</u>	<u>\$ 507</u>	<u>\$ 14,488</u>	<u>\$ 813</u>	<u>\$ -</u>	<u>\$ 40,165</u>
Carrying amount at December 31, 2022	<u>\$ 76,475</u>	<u>\$ 30,847</u>	<u>\$ 534</u>	<u>\$ 791</u>	<u>\$ 71,673</u>	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ 180,838</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives were as follows:

Buildings	8 -25 years
Machinery Equipment	2 - 8 years
Transportation Equipment	5 - 8 years
Other Equipment	5 -15 years
Leasehold Improvements	2 - 5 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 8.

I. LEASE ARRANGEMENTS

a) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Land	\$ 33,871	\$ 32,236
Buildings	<u>4,918</u>	<u>5,974</u>
	<u>\$ 38,789</u>	<u>\$ 38,210</u>
	For the years ended December 31, 2023	For the years ended December 31, 2022
Additions to right-of-use assets	<u>\$ 3,682</u>	<u>\$ -</u>
Depreciation of right-of- use assets		
Land	\$ 2,047	\$ 1,838
Buildings	<u>1,056</u>	<u>1,055</u>
	<u>\$ 3,103</u>	<u>\$ 2,893</u>

b) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Current	<u>\$ 1,188</u>	<u>\$ 6,289</u>
Non-current	<u>\$ 19,345</u>	<u>\$ 17,348</u>

Range of discount rates for lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	1.450%-2.000%	1.450%-2.000%
Buildings	1.340%-2.000%	1.340%-2.000%

c) Material leasing activities and terms

The Group leases certain buildings and roofs mainly for the use of offices and solar power stations with lease terms of 5 to 20 years. The Group does not have purchase options to acquire the leasehold buildings and roofs at the end of the lease terms and prohibited from subleasing or transferring all or any portion of the underlying assets, changing their use.

d) Other lease information

	For the year ended December 31, 2023	For the year ended December 31, 2022
Expenses relating to:		
Short-term leases	\$ 309	\$ 193
Low-value asset leases	\$ 22	\$ 15
Variable lease payments not included in the measurement of lease liabilities	\$ 326	\$ 199
Total cash outflow for leases	\$ 7,584	\$ 7,112

The Group's leases of certain equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

J. BORROWINGS

a) Short-term borrowings

	December 31, 2023	December 31, 2022
<u>Bank loans</u>		
Secured borrowings (Note 8)	\$ -	\$ 207,371
<u>Interest rates interval</u>		
Secured borrowings	-	1.800%-2.945%

The line of credit is secured by the deposits in bank (recognized as financial assets at amortized cost – current), investment properties and property, plant and equipment owned by the Group, and the chairman Teng Hsiung Yang served as the joint guarantor for the borrowings. The Group settled the borrowings in advance in September 2023.

b) Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Bank loans</u>		
Secured borrowings (Note 8)	\$ -	\$ 11,988
Less: Current portion	<u>-</u>	<u>(2,053)</u>
	<u>\$ -</u>	<u>\$ 9,935</u>
<u>Maturity Date</u>		
Secured borrowings	—	Maturity before March, 2031
<u>Interest rates interval</u>		
Secured borrowings	-	1.505%-2.475%

The line of credit is secured by the solar power generating equipment owned by the Group, Small and Medium Enterprise Credit Guarantee Fund of Taiwan (SMEGF), and the chairman Teng Hsiung Yang served as the joint guarantor for the borrowings. The Group settled the borrowings in advance in September 2023.

K. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes payable</u>		
Operating	\$ -	\$ 942
Non-operating	<u>542</u>	<u>1,126</u>
	<u>\$ 542</u>	<u>\$ 2,068</u>
<u>Accounts payable</u>	<u>\$ 526</u>	<u>\$ 2,255</u>

L. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Severance payment	\$ 4,654	\$ -
Payables for salaries or bonuses	2,023	3,232
Payable for professional service fee	1,686	1,423
Payable for annual leave	282	915
Payables for insurance fee	197	611
Payables for purchases of equipment	178	-
Payable for utilities	49	658
Others	<u>1,147</u>	<u>2,059</u>
	<u>\$ 10,216</u>	<u>\$ 8,898</u>

M. RETIREMENT BENEFIT PLANS - DEFINED CONTRIBUTION PLANS

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

N. EQUITY

a) Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>168,000</u>	<u>168,000</u>
Amounts of shares authorized	<u>\$ 1,680,000</u>	<u>\$ 1,680,000</u>
Number of shares issued and fully paid (in thousands)	<u>67,992</u>	<u>45,992</u>
Ordinary shares publicly offered	\$ 459,918	\$ 459,918
Ordinary shares in private placement	<u>220,000</u>	<u>-</u>
Ordinary shares issued	<u>\$ 679,918</u>	<u>\$ 459,918</u>

Fully paid ordinary shares, which have a par value of 10, are entitled to one vote and a right to receive dividends per share.

Due to replenish the Company's working capital and improve financial structure, the shareholders' regular meeting convened by the Company resolved to issue less than 45,000 thousand ordinary shares in private placement for capital increase in cash through private placement on June 21, 2023.

On December 26, 2023, the board of directors resolved to the specific subscriber for the offering of 22,000 thousand new shares with a private price of 10 per share, with the record date of the share increase set as December 29, 2023.

The private placement has been completed on December 27, 2023, and legally registered on January 22, 2024.

The rights and obligations of the ordinary shares in the private placement are the same as those of the Company's ordinary shares issued. However, in accordance with Article 43-8 of the Securities and Exchange Act, the above ordinary shares of the private placement should not be resold to other parties except for the transferees specified in the Securities and Exchange Act within three years from the date of delivery.

After 3 years from the acquisition date and applying for the public offering, the shares in the above private placement can be publicly traded before completed the public offering procedures.

On March 14, 2024, the board of directors resolved to the remaining 23,000 thousand shares in above case will not continue to be raised and issued due to the expiration of the time limit and will be reported on annual shareholders' regular meeting on June 6 ,2024.

b) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit,</u> <u>distributed as cash dividends, or</u> <u>transferred to share capital (1)</u>		
Treasury share transactions	\$ -	\$ 19,547
<u>May only be used to offset a deficit</u>		
Employee share options - expired	-	3,644
	<u>\$ -</u>	<u>\$ 23,191</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

A capital surplus of 23,191 thousand to offset losses were approved by the shareholders' regular meeting on June 21, 2023.

c) Accumulated deficit and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, the Company's net income in a year, in addition to paying income tax in accordance with the law, should first make up for the losses of previous years, and then set aside 10% of the balance as a legal reserve. After setting aside the special reserve in accordance with the law, the Board of Directors shall prepare a distribution proposal for any remaining balance based on the following circumstances and submit it to the Shareholders' regular meeting for resolution on distribution:

- 1) When the amount available for distribution reaches 30% or more of the paid-in capital, a cash dividend of at least 5% should be distributed.
- 2) However, if one of the following circumstances occurs, it will be reserved and will not be distributed or the surplus will be transferred to capital increase to issue share dividends.

- i) When the liabilities-to-equity ratio is higher than 100%.
- ii) There are major investment plans for the following year or the existing investment plan is still in progress.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The proposal for 2021 deficit compensation was approved by the shareholders' regular meeting on June 21, 2022.

The deficit compensation for 2023 was proposed by the Company's board of directors on March 14, 2024 and is subject to the resolution by the shareholders' regular meeting to be held on June 6, 2024.

O. OPERATING REVENUE

- a) Revenue from contracts with customers

	For the year ended December 31, 2023	For the year ended December 31, 2022
Sale of goods	\$ 68,484	\$ 157,876
Sale of electricity	7,983	8,270
Sale of processing	492	5,557
	<u>\$ 76,959</u>	<u>\$ 171,703</u>

- b) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	<u>\$ 3,221</u>	<u>\$ 14,957</u>	<u>\$ 18,809</u>
Accounts receivable	<u>\$ 1,214</u>	<u>\$ 18,218</u>	<u>\$ 23,918</u>
Contract liabilities			
Sale of goods	<u>\$ 4</u>	<u>\$ 4,067</u>	<u>\$ 6,248</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue in the years of 2023 and 2022 that were recognized from the contract liability balance at the beginning of year were 4,067 thousand and 2,751 thousand, respectively.

P. NET LOSS FOR THE YEAR

Net loss for the year includes the following items:

a) Interest income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Bank in deposits	\$ 154	\$ 49
Financial assets at amortized cost	<u>6,540</u>	<u>3,359</u>
	<u>\$ 6,694</u>	<u>\$ 3,408</u>

b) Other gains and losses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net gains on foreign currency exchange	\$ 10,969	\$ 22,036
Gain (loss) on disposal of property, plant and equipment	1,341	(531)
Gain on disposal of non-current assets held for sale (Note 6(F))	298	-
Impairment loss recognized on non-current assets held for sale (Note 6(F))	-	(10,024)
Gain on lease modification	341	-
Other losses	(<u>60</u>)	<u>-</u>
	<u>\$ 12,889</u>	<u>\$ 11,481</u>

c) Finance costs

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest on bank loans	\$ 3,683	\$ 3,749
Interest on lease liabilities	<u>482</u>	<u>598</u>
	<u>\$ 4,165</u>	<u>\$ 4,347</u>

d) Depreciation

	For the year ended December 31, 2023	For the year ended December 31, 2022
Property, plant and equipment	\$ 8,621	\$ 8,660
Right-of-use assets	<u>3,103</u>	<u>2,893</u>
	<u>\$ 11,724</u>	<u>\$ 11,553</u>
 An analysis of deprecation by function		
Operating costs	\$ 6,266	\$ 6,389
Operating expenses	<u>5,458</u>	<u>5,164</u>
	<u>\$ 11,724</u>	<u>\$ 11,553</u>

e) Employees' benefits expenses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Post-employment benefits		
Defined contribution plan	\$ 999	\$ 1,152
 Employees' benefits expenses		
Salary and bonus	24,549	25,462
Labor and health insurance	1,973	2,638
Director remuneration	2,945	1,923
Others	<u>1,535</u>	<u>3,079</u>
	<u>31,002</u>	<u>33,102</u>
	<u>\$ 32,001</u>	<u>\$ 34,254</u>
 An analysis of employees' benefits expenses by function		
Operating costs	10,757	18,229
Operating expenses	<u>21,244</u>	<u>16,025</u>
	<u>\$ 32,001</u>	<u>\$ 34,254</u>

f) Compensation of employees

In compliance with the Company's Articles of Incorporation, if the Company has annual profits, 5% shall be allocated as employee remuneration. However, profits must first be taken to offset cumulative losses if any. For the years ended December 31, 2023 and 2022, the Company had no earnings available for distribution, so the compensation of employees were not estimated.

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

Q. INCOME TAX EXPENSE

a) Income tax expense recognized in profit or loss

Major components of income tax expense were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current income tax		
Land value increment tax	\$ 687	\$ 284
Deferred income tax		
In respect of the current year	3,692	7,132
Adjustments for the prior year	(2,979)	-
	<u>713</u>	<u>7,132</u>
Income tax expense recognized in profit or loss	<u>\$ 1,400</u>	<u>\$ 7,416</u>

A reconciliation of accounting profit and income tax expenses were as follows:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Loss before income tax	(\$ 18,493)	(\$ 552)
Income tax benefit calculated at the statutory rate	(\$ 3,698)	(\$ 110)
Tax-exempt income	(250)	(983)
Nondeductible expenses in determining taxable income	412	1,433
Land value increment tax	687	284
Unrecognized loss carryforwards	7,250	3,345
Adjustments for prior years' deferred income tax	(2,979)	-
Adjustments item in determining taxable income	(22)	-
Unrecognized deductible temporary differences	<u>-</u>	<u>3,447</u>
Income tax expense recognized in profit or loss	<u>\$ 1,400</u>	<u>\$ 7,416</u>

b) Current tax assets

	December 31, 2023	December 31, 2022
Current tax assets		
Tax refund receivable	<u>\$ 1,023</u>	<u>\$ 314</u>

c) Deferred income tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred income tax assets</u>			
Temporary differences			
Inventories	\$ 2,055	(\$ 2,054)	\$ 1
Unrealized foreign exchange losses	343	(343)	-
Impairment loss	3,645	(3,645)	-
Unrealized gross profit	30	(30)	-
Payable for annual leave	182	(129)	53
	<u>\$ 6,255</u>	<u>(\$ 6,201)</u>	<u>\$ 54</u>
<u>Deferred income tax liabilities</u>			
Temporary differences			
Reserve for land revaluation increment tax	\$ 2,979	(\$ 2,979)	\$ -
Unrealized foreign exchange gains	2,509	(2,509)	-
	<u>\$ 5,488</u>	<u>(\$ 5,488)</u>	<u>\$ -</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred income tax assets</u>			
Temporary differences			
Allowance for impairment loss	\$ 3,335	(\$ 3,335)	\$ -
Inventories	3,458	(1,403)	2,055
Unrealized foreign exchange losses	2,204	(1,861)	343
Impairment loss	1,686	1,959	3,645
Unrealized gross profit	-	30	30
Payable for annual leave	195	(13)	182
	<u>\$ 10,878</u>	<u>(\$ 4,623)</u>	<u>\$ 6,255</u>

(Continued on next page)

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred income tax liabilities</u>			
Temporary differences			
Reserve for land revaluation increment tax	\$ 2,979	\$ -	\$ 2,979
Unrealized foreign exchange gains	<u>-</u>	<u>2,509</u>	<u>2,509</u>
	<u>\$ 2,979</u>	<u>\$ 2,509</u>	<u>\$ 5,488</u>

- d) Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 17,234</u>
Loss carryforwards		
Expiry in 2023	\$ -	\$ 153,745
Expiry in 2024	105,922	105,922
Expiry in 2025	158,626	158,626
Expiry in 2026	237,956	237,956
Expiry in 2027	106,048	106,048
Expiry in 2028	152,022	152,022
Expiry in 2029	100,909	100,909
Expiry in 2030	83,818	83,818
Expiry in 2031	53,902	53,902
Expiry in 2032	19,923	19,923
Expiry in 2033	<u>34,137</u>	<u>-</u>
	<u>\$ 1,053,263</u>	<u>\$ 1,172,871</u>

- e) Income tax assessments

Income tax returns through 2020 of the Company and 2021 of the Fu Tai Textile Co., Ltd. have been assessed by the tax authorities, respectively.

R. LOSS PER SHARE

	For the year ended December 31, 2023	For the year ended December 31, 2022
Basic and diluted loss per share		
Loss for the year attributable to owners of the Company	(\$ 19,893)	(\$ 7,968)
Weighted average number of ordinary shares outstanding in computation of basic and diluted loss per share (In thousand shares)	<u>46,173</u> (\$ 0.43)	<u>45,992</u> (\$ 0.17)

S. CASH FLOW INFORMATION

a) Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated financial statements of cash flows for the years ended December 31, 2023 and 2022.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Acquisition of property, plant and equipment	(\$ 11,394)	(\$ 1,277)
Increase in notes payable	409	-
Increase (decrease) in payables for equipment	<u>170</u>	(<u>551</u>)
Payments for property, plant and equipment	(\$ 10,815)	(\$ 1,828)

b) Changes in liabilities arising from financing activities - For the year ended December 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes	Closing Balance
Short-term borrowings	\$ 207,371	(\$ 207,371)	\$ -	\$ -
Long-term borrowings (including current portion)	11,988	(11,988)	-	-
Lease liabilities	<u>23,637</u>	(<u>6,445</u>)	<u>3,341</u>	<u>20,533</u>
	<u>\$ 242,996</u>	(<u>\$ 225,804</u>)	<u>\$ 3,341</u>	<u>\$ 20,533</u>

c) Total taxes paid

	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating activities	\$ 709	\$ 224
Investing activities	<u>687</u>	<u>284</u>
	<u>\$ 1,396</u>	<u>\$ 508</u>

T. CAPITAL MANAGEMENT

The Group manages its capital to ensure it can continue to operate as a going concern while maximizing the credit limits of bank and disposal the idle assets to optimization the working capital. And reviews the Group 's capital structure from time to time in line with the economic environment and business considerations to ensure that the Group can operate smoothly.

U. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments not measured at fair value

The Group's management believes the carrying amounts of the financial assets and financial liabilities not carried at fair value are approximately at their fair values.

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

1) Fair value hierarchy

The Group 's financial assets classified FVTPL were measured at Level 3 fair value. As of December 31, 2023 and 2022, the balance of FVTPL were both zero.

2) Valuation techniques and inputs applied for Level 3 fair value measurements

The fair value of domestic unlisted shares was determined using the asset-based approach. This approach is used for evaluation based on the total value of individual assets and individual liabilities to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.

c) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortized costs (1)	\$ 280,759	\$ 280,393
<u>Financial liabilities</u>		
Financial assets at amortized costs (2)	11,284	232,580

- 1) The balances included financial assets measured at amortized cost, which comprise cash, notes receivable, accounts receivable, other receivables and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion).

d) Financial risk management objectives and policies

The purpose of the Group's financial risk management is to manage market risk (including exchange rate risk and interest rate risk), credit risk, liquidity risk, and other financial risks related to operating activities. To lower the relative financial risks, the Group seeks to identify, evaluate, and avoid market uncertainty, to minimize the potential unfavorable impact on the Group due to market volatility.

The Group's important financial activities are reviewed by the board of directors in accordance with related regulations and internal control systems.

During the implementation of the financial plan, internal auditors continuously reviewing whether relevant personnel were following relevant financial operating procedures regarding overall financial risk management and division of responsibilities, and also report to the board of directors on a quarterly basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

I) Foreign currency risk

The Group's had foreign currency sales and holding financial assets , which exposed the Group to foreign currency risk.

The following information was aggregated by the foreign currencies other than the Group's functional currency and the exchange rates between the

foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD (USD:NTD)	\$ -	30.705	\$ 3

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD (USD:NTD)	\$ 7,437	30.710	\$ 228,398

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (USD). For a 1% strengthening of NTD against USD and all other variables were held constant, pre-tax losses for the years ended December 2023, and 2022 would decrease by zero dollar and 2,284 thousand, respectively. For a 1% weakening of NTD against USD, there would be an equal and opposite impact on pre-tax losses.

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains of the Group were 10,969 thousand and 22,036 thousand, respectively.

II) Interest rate risk

The Group's had deposits in bank and borrowed funds at floating interest rates , which exposed the Group to interest rate risk.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash flow interest rate risk		
Financial assets	\$ 272,535	\$ 243,852
Financial liabilities	\$ -	\$ 219,359

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period.

For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the year was outstanding for the whole year.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax loss for the years ended December 31, 2023 and 2022 would have decreased/increased by 681 thousand and 61 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the Group's management believes that the credit risk were significantly reduced.

The Group's concentration of credit risk of total trade receivables was attributable to the Group's major customer. The following information shows the individual customers each of which represents more than 10% of the ending balance of the trade receivable at the end of fiscal years ended December 31, 2023 and 2022.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Client A	\$ 3,221	N/A(Note)
Client B	725	\$ 9,599
Client C	489	N/A(Note)
Client D	N/A(Note)	7,160

Note: The amount of individual client does not exceed 10% of the account balance.

3) Liquidity risk

Cash flow forecasts are executed by individual operating department within the Group and summarized by the finance department. The Group's financial department is responsible for monitoring the forecast of the Group's liquidity needs, ensuring that it has sufficient funds to meet operational needs, and maintaining sufficient unused bank financing lines at all times so that the Group will not violate relevant borrowing limits or terms. As of December 31, 2023 and 2022, the Group's unused bank financing lines were 10,000 thousand and 108,083 thousand respectively.

The analysis of the remaining contractual maturities of non-derivative financial liabilities has been prepared based on the undiscounted cash flows (including principal and estimated interest) of the financial liabilities based on the earliest possible date on which the Group could be required to make repayment. Therefore, bank loans that the Group may be required to repay immediately are shown in the earliest period of the below table, without regard to the probability that the bank will enforce the right immediately; the maturity analysis of other non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2023

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 542	\$ -	\$ -	\$ -	\$ 542
Accounts payable	526	-	-	-	526
Other payables	10,216	-	-	-	10,216
Lease liabilities	1,559	1,422	4,266	16,663	23,910
	<u>\$ 12,843</u>	<u>\$ 1,422</u>	<u>\$ 4,266</u>	<u>\$ 16,663</u>	<u>\$ 35,194</u>

December 31, 2022

	Less than 1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 2,068	\$ -	\$ -	\$ -	\$ 2,068
Accounts payable	2,255	-	-	-	2,255
Other payables	8,898	-	-	-	8,898
Lease liabilities	6,704	1,337	3,600	15,310	26,951
Short-term borrowings	207,371	-	-	-	207,371
Long-term borrowings (including current portion)	2,053	2,740	6,408	787	11,988
	<u>\$ 229,349</u>	<u>\$ 4,077</u>	<u>\$ 10,008</u>	<u>\$ 16,097</u>	<u>\$ 259,531</u>

The amounts included above for variable interest rate instruments under non-derivative financial liabilities are subject to change if changes in variable interest rates differ from the interest rates estimated at the end of the reporting period.

7. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiary, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were disclosed as follows:

A. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Teng Hsiung Yang (Note 1)	Key executives (The term ends on February 28, 2024)
Kuo Hua Yang (Note 2)	Key executives (The term ends on February 28, 2024)
Tzu Lung He	Key executives
Chein Feng Yang	Key executives
Teng Lin Yang	Related party in substance
Hao Wei Yang	Related party in substance
Chia Wei Yang	Related party in substance
Win Yang Co., Ltd.	Related party in substance

- 1) The company re-elected directors at the extraordinary shareholders' meeting on February 29, 2024. After the re-election, Teng Hsiung Yang is no longer the chairman and general manager of the company.
- 2) The company re-elected directors at the extraordinary shareholders' meeting on February 29, 2024. After the re-election, Kuo Hua Yang is no longer a director of the company.

B. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Sales of goods	Key executives	\$ -	\$ 6

C. Trade payables to related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables	Key executives	630	140
	Related party in substance	270	130
		<u>\$ 900</u>	<u>\$ 270</u>

The outstanding trade payables to related parties are unsecured.

D. Other assets

Line Item	Related Party Category/Name	December 31, 2023	December 31, 2022
Prepayments	Key executives	<u>\$ 23</u>	<u>\$ 22</u>

E. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the year ended	For the year ended	For the year ended	For the year ended
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Related party in substance	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. Lease arrangements

Line Item	Related Party Category/Name	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating expenses	Related party in substance	<u>\$ 57</u>	<u>\$ -</u>

The Group leased a building as a warehouse from a related party in substance in April 2023, with a lease period of one year. The rent is agreed upon by both parties and is calculated based on the number of square meters used and is a fixed monthly payment. The Group terminated the aforementioned lease agreement in advance in December 2023.

G. Other transactions with related parties

Line Item	Related Party Category/Name	For the year ended December 31, 2023	For the year ended December 31, 2022
Operating expenses	Related party in substance	<u>\$ 1,798</u>	<u>\$ 1,560</u>

H. Endorsements and guarantees

Related Party Category/Name	December 31, 2023	December 31, 2022
Key management personnel		
Amount endorsed	<u>\$ 10,000</u>	<u>\$332,000</u>
Amount utilized (reported as secured borrowings)	<u>\$ -</u>	<u>\$219,359</u>

I. Remuneration of key management personnel

Related Party Category/Name	For the year ended December 31, 2023	For the year ended December 31, 2022
Short-term employee benefits	<u>\$ 8,854</u>	<u>\$ 6,447</u>
The remuneration of directors and key executives, as determined based on the performance of individuals and market trends.		

8. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group's assets pledged as collateral for borrowings were as follows:

	December 31, 2023	December 31, 2022
Financial assets at amortized cost	\$ -	\$ 223,568
Property, plant and equipment	-	153,482
	<u>\$ -</u>	<u>\$ 377,050</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2023 and 2022 were as follows:

- A. As of December 31, 2023 and 2022, the amount of the notes used for refundable deposits issued for borrowings were 10,000 thousand and 99,000 thousand, respectively.
- B. As of December 31, 2022, unused letters of credit for purchases of raw materials amounted to approximately 4,558 thousand.
- C. As of December 31, 2022, the Group entered into a contract with others for a total contract price were 7 thousand.

- D. The Group has signed a power purchase contract with Taiwan Power Company. The contract will be terminated on the day of 20 years from the day when the generator sets are connected in parallel for the first time. Except for the sale of electricity to the Taiwan Power Company in bulk according to the regulations, The Company shall not privately sell the electricity generated by its renewable energy system to others.

10. SIGNIFICANT LOSSES FROM DISASTERS: NONE

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed in other notes, significant event after the reporting period were as follows:

- A. The Company implemented a private placement of ordinary shares for cash capital increase on December 27, 2023. Zhao Tian International Investment Co., Ltd. and Hsuan Feng International Investment Co. Ltd. had subscribed for 16,900 thousand ordinary shares and 5,100 thousand ordinary shares, respectively, shareholding ratios were 24.86% and 7.50% respectively.
- B. Hui Tian Xia Investment Corp. acquired 3,762 thousand ordinary shares of the Company in 2024. As of February 29, 2024 (book closure date at the extraordinary shareholders' meeting), the shareholding ratio was 5.53%.
- C. In response to future operating plans, the Company held an extraordinary meeting of shareholders on February 29, 2024 to re-elect directors in advance. After the re-election, all directors have changed, causing the previous management to lose control of the Group. The Group has been announced in accordance with the regulations of the competent authority. For declaration-related information, as of the date of approval and release of the consolidated financial report, there has been no change in the Group's main business scope.

Information on the changes in managerial control and material changes in the scope of business is available at the Market Observation Post System website of the Taiwan Stock Exchange.

12. SEPARATELY DISCLOSED ITEMS

- A. Information on significant transactions:
- a) Financing provided to others: None.
 - b) Endorsements/guarantees provided: None.
 - c) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 1.

- d) Marketable securities acquired or disposed of at costs or prices of at least 300 million or 20% of the paid-in capital: None.
- e) Acquisition of individual real estate at costs of at least 300 million or 20% of the paid-in capital: None.
- f) Disposal of individual real estate at prices of at least 300 million or 20% of the paid-in capital: None.
- g) Total purchases from or sales to related parties amounting to at least 100 million or 20% of the paid-in capital: None.
- h) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- i) Trading in derivative instruments: None.
- j) Others: Intercompany relationships and significant intercompany transactions: Table 2.

B. Information on investees: Table 3.

C. Information on investments in mainland China: None.

D. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 4.

13. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows: textile segment and solar power segment.

A. Segment revenue and results

The following were an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Revenue from External Customers		Segments Loss	
	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Textile segment	\$ 68,976	\$163,433	(\$ 40,663)	(\$ 12,873)
Solar power segment	<u>7,983</u>	<u>8,270</u>	<u>101</u>	<u>1,170</u>
Operating revenue from continuing operations	<u>\$ 76,959</u>	<u>\$171,703</u>	(40,562)	(11,703)
Other income			6,651	609
Other gains and losses			12,889	11,481
Finance costs			(4,165)	(4,347)
Interest income			<u>6,694</u>	<u>3,408</u>
Loss before income tax			(\$ 18,493)	(\$ 552)

Segment loss represents the loss before tax earned by each segment without allocation of interest income, impairment loss, net gains (losses) on disposal of property, plant and equipment, gains on disposal of non-current assets held for sale, net gain on foreign currency exchange, gain on lease modification, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

B. Total segment assets and liabilities

The measured amounts of segment assets and liabilities are not provided to the chief operating decision maker. Thus, total segment assets and liabilities were not disclosed.

C. Geographical information

The geographic information is presented by geographical areas.

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Taiwan	\$ 53,338	\$ 148,648
Asia	23,621	21,563
America	<u>-</u>	<u>1,492</u>
	<u>\$ 76,959</u>	<u>\$ 171,703</u>

D. Information on major customers

Single customers contributing 10% or more to the Group's operating revenue in 2023 and 2022 were as follows:

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Client A	\$ 16,133	N/A(Note)
Client B	15,598	N/A(Note)
Client C	7,983	N/A(Note)
Client D	N/A(Note)	\$ 35,495

Note: The amount of individual client does not exceed 10% of the account balance.

Table 1

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

Holding Company Name	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2023				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fu Ta Material Technology Co., Ltd.	<u>Stock</u> Formosa Spinning Co., Ltd.	-	Financial assets at FVTPL – non-current	3,629	\$ -	17.13	\$ -	a

a) The original investment cost 36,455 thousand of Formosa Spinning Co., Ltd. has been fully recognized as a fair value loss.

Table 2

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transaction				Note
				Financial Statements Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets	
0	Fu Ta Material Technology Co., Ltd	Fu Tai Textile Co., Ltd.	(a)	Other receivables	200	-	-	2
			(a)	Property, plant and equipment	103	-	-	2
			(a)	Accounts payable	188	48 days EOM	-	2
			(a)	Sale of goods	220	60 days EOM	-	2
			(a)	Purchase	1,660	48 days EOM	2%	2
			(a)	Manufacturing expenses - outsourcing fee	10,139	Note 3	13%	2
			(a)	Rental income	2,287	-	3%	2
			(a)	Other income	781	-	1%	2

Note 1: Relationship with transaction counterparties were classified as following:

- a) The parent company to subsidiary.
- b) From subsidiary to parent company.
- c) Subsidiaries to subsidiaries.

Note 2: The accounts were eliminated when the consolidated financial statements were prepared.

Note 3: Collection of receivables was based on the related parties' cash requirements.

Table 3

FU TA MATERIAL TECHNOLOGY CO., LTD. AND SUBSIDIARY
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2023			Net Loss of the Investee	Share of Loss of Investee	Note
				December 31, 2023	December 31, 2022	Number of Shares (In thousands)	Ownership Interest %	Carrying Amount			
Fu Ta Material Technology Co., Ltd.	Fu Tai Textile Co., Ltd.	Taiwan	Production and sales of various types of cotton yarn and blended yarn	\$ 70,000	\$ 70,000	7,000	100%	(\$ 85,872)	(\$ 2,381)	(\$ 80,900)	Subsidiary

Table 4

FU TA MATERIAL TECHNOLOGY CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Zhao Tian International Investment Co., Ltd.	16,900,000	24.86
Hsuan Feng International Investment Co. Ltd.	5,100,000	7.50
Ching Tsung Yang (Note)	2,403,000	5.22

Note : The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.