

Stock code: 1340

**Victory New Materials Limited Company
and Subsidiaries
Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
Together with Independent Auditors' Report**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Victory New Materials Limited Company and Subsidiaries
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Victory New Materials Limited Company and Subsidiaries
Letter of Representation

For the year ended December 31, 2023, pursuant to “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of affiliates, are the same entities required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. In addition, the relevant information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

Victory New Materials Limited Company

Chairman

March 15, 2024

Independent Auditors' Report

Victory New Materials Limited Company

Opinion

We have audited the accompanying consolidated balance sheets of Victory New Materials Limited Company (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, 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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the **Independent auditors' responsibilities for the audit of the consolidated financial statements** section of our report. We are independent of the Group in accordance with the Code of professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that our audits provide a reasonable basis for our opinion.

Independent Auditors' Report (Continued)

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, we do not provide a separate opinion on these matters. We determined the key audit matters should be communicated in our audit report are as follows:

Cash and cash equivalents

Please refer to Note 4(6) to the consolidated financial statements for the accounting policies of evaluation of cash and cash equivalents; and please refer to Note 6(1) to the consolidated financial statements for the details of cash and cash equivalents accounts.

As of December 31, 2023, the balances of cash and cash equivalents of the Group is \$638,786 thousand, accounting for 16% of the total consolidated assets, due to the significant proportion of balances and the inherent risks; we therefore considered the cash and cash equivalents as the key audit matters for the year.

Our audit procedures included, but not limited to, obtaining the list of bank deposits balances in the account of the Group, and verifying to the bank statements; checking the receipt and payment vouchers of major cash and cash equivalents transaction; to check all bank confirmations whether it matches the bank deposit balance in the account, and check whether there are restrictions on bank deposits.

Independent Auditors' Report (Continued)

Financial assets at amortized cost - current

Please refer to Note 4(7) to the consolidated financial statements for the accounting policies of evaluation of financial assets at amortized cost - current; and please refer to Note 6(2) to the consolidated financial statements for the details of financial assets at amortized cost - current accounts.

As of December 31, 2023, the balances of financial assets at amortized cost - current of the Group is \$348,129 thousand, accounting for 9% of the total consolidated assets, due to the significant proportion of balances and the inherent risks; we therefore considered the financial assets at amortized cost - current as the key audit matters for the year.

Our audit procedures included, but are not limited to, obtaining the balance details of the financial assets at amortized cost in the accounts of the Group, and verifying it to the times deposit advice; sending the bank confirmation to verify whether it is matched to the balances of financial assets at amortized cost in the accounts, and check whether there are restrictions on the time deposits.

Estimation of recoverable amount of investment property

Please refer to Note 4(14) to the consolidated financial statements for the accounting policies of investment property; refer to Note 6(9) to the consolidated financial statements for the details of investment property.

As of December 31, 2023, the balance of the Group's investment property was \$1,992,964 thousand, accounting for 48% of the total consolidated assets. Since the proportion is significant and the evaluation of the recoverable amount involves significant estimates and judgments of the management, therefore, we considered the estimation of the recoverable amount of investment properties of the Group as one of the key audit matters for the year.

Independent Auditors' Report (Continued)

Our audit procedures included, but are not limited to, assessing the professional competence and independence of the independent valuers used by management, reviewing the scope of work and the manner of appointment of the evaluators to confirm that there is nothing to affect their independence or restrictions on their scope of works; assess whether the evaluation methods and main assumptions used by the independent valuers used in the evaluation are reasonable, and verify the correctness and completeness of the information used.

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 Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 charges with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report (Continued)

Independent 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the auditing standards 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 auditing standards, 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 risks of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls 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 controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report (Continued)

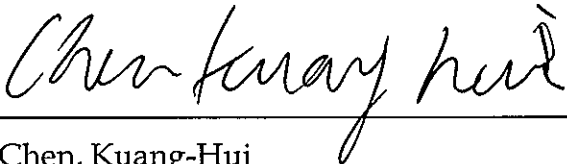
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of audit of the Group. We remain solely responsible for our audit opinion.

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

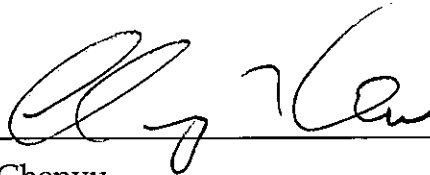
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report (Continued)

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 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.



Chen, Kuang-Hui



Kuo, Chenyu

For and on behalf of ShineWing CPAs

March 15, 2024

Taipei, Taiwan

Republic of China

Notice to Readers

The accompanying consolidated financial statements are not intended to present the financial position, results of financial operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than the Republic of China. The standard, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, ShineWing CPAs cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

Victory New Materials Limited Company and Subsidiaries

Consolidated balance sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31,			
		2023	%	2022	%
<i>Current assets</i>					
Cash and cash equivalents	6.(1)	\$ 638,786	16	\$ 1,120,989	23
Financial assets at amortized cost - current	6.(2)	348,129	9	706,870	15
Accounts receivable, net	6.(3)	95,251	2	109,679	2
Other receivables	6.(4)	-	-	3,800	-
Inventories	6.(5)	20,280	-	25,335	1
Prepayments	6.(10)	237,765	6	185,556	4
		1,340,211	33	2,152,229	45
<i>Non-current assets</i>					
Property, plant and equipment	6.(6) and 8	77,210	2	706,867	15
Right-of-use asset	6.(7) and 8	687,513	17	632,859	13
Investment property	6.(9)	1,992,964	48	1,297,374	27
		2,757,687	67	2,637,100	55
Total assets		\$ 4,097,898	100	\$ 4,789,329	100

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Victory New Materials Limited Company and Subsidiaries

Consolidated balance sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

(Continued from previous page)

Liabilities and equity	Notes	December 31,			
		2023	%	2022	%
Current liabilities					
Accounts payable	6.(12)	\$ 45,866	1	\$ 49,674	1
Other payables	6.(13)	115,342	3	66,196	2
Current lease liabilities	6.(7)	-	-	21,746	-
Current portion of non-current borrowings	6.(14) and 8	15,960	-	-	-
		177,168	4	137,616	3
Non-current liabilities					
Long-term borrowings	6.(14) and 8	191,476	5	-	-
Deferred tax liabilities	6.(27)	826	-	3,176	-
Guarantee deposits received		4,787	-	-	-
		197,089	5	3,176	-
Total liabilities		374,257	9	140,792	3
Equity attributable to shareholders of the parent company					
Ordinary shares	6.(16)	1,529,229	37	1,529,229	32
Capital surplus	6.(17)	2,540,814	62	2,540,814	53
Retained earnings:	6.(18)				
Legal reserve		435,041	11	435,041	9
Special reserve		645,600	16	645,600	14
Unappropriated earnings		(807,325)	(20)	54,407	1
Other equity interest	6.(19)	(619,718)	(15)	(556,554)	(12)
Total equity		3,723,641	91	4,648,537	97
Total liabilities and equity		\$ 4,097,898	100	\$ 4,789,329	100

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

Victory New Materials Limited Company and Subsidiaries

Consolidated statement of comprehensive income

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31,			
		2023	%	2022	%
Revenue	6.(20)	\$ 562,077	100	\$ 499,230	100
Cost of revenue	6.(5)	(772,395)	(137)	(752,284)	(151)
Gross loss		(210,318)	(37)	(253,054)	(51)
Operating expenses					
Selling expenses	6.(24)	(7,414)	(1)	(7,389)	(1)
General & administrative expenses	6.(24)	(147,875)	(26)	(126,177)	(25)
Research and development expenses	6.(24)	(38,189)	(7)	(42,500)	(9)
		(193,478)	(34)	(176,066)	(35)
Loss from operations		(403,796)	(71)	(429,120)	(86)
Non-operating income and expenses					
Interest income	6.(21)	15,268	3	24,391	5
Other income	6.(22)	-	-	1,929	-
Other gains and losses	6.(23)	(475,130)	(85)	(23,285)	(5)
Finance costs	6.(26)	(394)	-	(1,018)	-
		(460,256)	(82)	2,017	-
Loss before income tax		(864,052)	(153)	(427,103)	(86)
Income tax gain (expense)	6.(27)	2,320	-	(2,775)	-
Net loss for the year		(861,732)	(153)	(429,878)	(86)
Other comprehensive income (loss)					
Component of other comprehensive income that will not be reclassified to profit or loss					
Exchange differences arising on translation to the presentation currency		(63,164)	(11)	89,046	-
Income tax expenses related to components that will not be reclassified to profit or loss		-	-	-	-
Total other comprehensive income (loss) for the year		(63,164)	(11)	89,046	-
Total comprehensive loss for the year		(\$ 924,896)	(164)	(\$ 340,832)	(86)
Net loss attributable to					
Shareholders of the parent		(\$ 861,732)	(153)	(\$ 429,878)	(86)
Total comprehensive loss attributable to					
Shareholders of the parent		(\$ 924,896)	(164)	(\$ 340,832)	(86)
Earnings per share (In New Taiwan dollars)	6.(28)				
Basic earnings per share		(\$ 5.64)		(\$ 2.81)	

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

Victory New Materials Limited Company and Subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent company					Other equity interest	Total equity
	Retained earnings				Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	(Accumulated losses)		
Balance, January 1, 2022	\$ 1,529,229	\$ 2,540,814	\$ 435,041	\$ 907,212	\$ 222,673	(\$ 645,600)	\$ 4,989,369
Appropriation of prior year's earnings:							
Special capital reserve	-	-	-	(261,612)	261,612	-	-
	1,529,229	2,540,814	435,041	645,600	484,285	(645,600)	4,989,69
Net loss for the year	-	-	-	-	(429,878)	-	(429,878)
Other comprehensive income for the year	-	-	-	-	-	89,046	89,046
Total other comprehensive income (loss) for the year	-	-	-	-	(429,878)	89,046	(340,832)
Balance, December 31, 2022	1,529,229	2,540,814	435,041	645,600	54,407	(556,554)	4,648,537
Net loss for the year	-	-	-	-	(861,732)	-	(861,732)
Other comprehensive loss for the year	-	-	-	-	-	(63,164)	(63,164)
Total other comprehensive income (loss) for the year	-	-	-	-	(861,732)	(63,164)	(924,896)
Balance, December 31, 2023	\$ 1,529,229	\$ 2,540,814	\$ 435,041	\$ 645,600	(\$ 807,325)	(\$ 619,718)	\$ 3,723,641

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

Victory New Materials Limited Company and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31,	
	2023	2022
Cash flows from operating activities		
Loss before income tax for the year	(\$ 864,052)	(\$ 427,103)
Adjustments for:		
Income and expenses having no effect on cash flows		
Depreciation	99,446	81,252
Interest income	(15,268)	(24,391)
Interest expense	394	1,018
Loss on disposal of property, plant and equipment	244	31,223
Allowance of inventory for decline in market value and obsolescence	(761)	(2,699)
Impairment loss recognized on property, plant and equipment and investment property	477,861	5,036
Gain on foreign exchange, net	(2,821)	(13,011)
Profit from lease modification	(213)	-
Changes in operating assets and liabilities		
Decrease in accounts receivable	14,428	37,769
Decrease (increase) in inventories	5,928	(1,303)
Increase in prepayments	(52,209)	(29,845)
Decrease in accounts payable	(3,808)	(32,442)
Increase (decrease) in other payables	49,146	(12,799)
Cash used in operations	(291,685)	(387,295)
Interest received	19,068	25,736
Interest paid	-	(1,018)
Net cash used in operating activities	(272,617)	(362,577)

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Victory New Materials Limited Company and Subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

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	For the year ended December 31,	
	2023	2022
Cash flows from investing activities		
Proceed from sale of financial assets at amortized cost	358,741	160,621
Acquisition of property, plant and equipment	(561,207)	(407,406)
Proceeds from disposal of property, plant and equipment	63	12,313
Acquisition of right-of-use asset	(103,952)	-
Acquisition of investment property	(77,323)	-
Net cash used in investing activities	(383,678)	(234,472)
Cash flows from financing activities		
Increase in long-term borrowings	207,436	-
Decrease in other payables to related parties	- (	2,423)
Repayment of lease liability	(11,624)	(22,266)
Increase in guarantee deposits received	4,787	-
Net cash generated from (used in) financing activities	200,599	(24,689)
Effect of exchange rate changes on cash and cash equivalents	(26,507)	62,143
Decrease in cash and cash equivalents	(482,203)	(559,595)
Cash and cash equivalents at beginning of year	1,120,989	1,680,584
Cash and cash equivalents at end of year	\$ 638,786	\$ 1,120,989

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

Victory New Materials Limited Company and Subsidiaries

Notes to the consolidated financial statements

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

1. History and organization

Victory New Materials Limited (the “Company”) was incorporated in the British Cayman Islands in June 2012. The Company was established after an organizational restructuring for listing on the Taiwan Stock Exchange (“TWSE”). The Company’s shares have been listed and traded on the TWSE since January 14, 2014. The functional currency of the Company is Renminbi. Since the Company’s shares are listed on the TWSE, in order to increase the comparison and consistency of the financial statements, the consolidated financial statements are presented in the New Taiwan dollar. The consolidated financial statements comprised the Company and its subsidiaries (collectively referred as the “Group”), the Group is primarily engaged in the manufacturing and trading of various types of shoe sole materials and other related business investment.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 15, 2024.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IAS”) and interpretations as endorsed and announced by the Financial Supervisory Commission (“FSC”).

A. IFRSs, IAS and interpretations endorsed and announced by the FSC effective from 2023 are as follows:

New standards, interpretations and amendments	Main amendments	IASB effective date
Disclosure of Accounting Policies (amendments to IAS 1)	This amendment requires companies to disclose information about their material significant accounting	January 1, 2023

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	policies information, instead of their significant accounting policies. This amendment clarifies how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.	
Definition of accounting estimates (amendments to IAS 8)	The amendment clarifies how an entity should distinguish between changes in accounting policies and changes in accounting estimates. The amendment also clarifies that changes in accounting estimates resulting from new information or new developments are not corrections of errors. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.	January 1, 2023
Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)	This amendment requires the entity to recognize the relevant deferred income tax assets and liabilities for specific transactions that generate the same amount of taxable and deductible temporary differences at the time of original recognition.	January 1, 2023
International Tax Reform Pillar Two Model Rules (amendments to IAS 12)	This amendment provides a temporary exception to the recognition or disclosure of deferred income tax arising from the tax laws enacted or substantively enacted to implement the Pillar Two model rules issued by the Organization for	May 23, 2023

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Economic Cooperation and Development, that enterprises are neither allowed to recognize deferred income tax assets and liabilities related to Pillar Two income tax nor disclose relevant information.

B. The Group assessed the above standards and interpretations and there is no significant impact to the Group's financial position and financial performance.

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

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

New standards, interpretations and amendments		IASB effective date
	Main amendments	
Lease Liability in a Sale and Leaseback (amendment to IFRS 16)	This amendment clarifies how a seller-lessee applied its subsequent measurement for the related right-of-use assets and lease liabilities arising from a sale and leaseback transaction, where the lease payments are variable lease payments that do not depend on an index or rate; and the seller-lessee should determine the lease payments or revised lease payments such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee. And the new sample is provided for reference.	January 1, 2024
Classification of Liabilities as Current or Non-current (amendments to IAS 1)	This amendment clarifies that the classification of liabilities is based on the rights existing at the end of the reporting period. At the end of the	January 1, 2024

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	reporting period, the enterprise does not have the right to defer the settlement period of liabilities for at least 12 months after the reporting period, and the liabilities should be classified as current. In addition, this amendment defines the "settlement" of a liability as the extinguishment of the liability with cash or other economic resources or the enterprise's own equity instruments. The terms of the liability may result in the settlement of the liability by transferring the company's own equity instruments, only if the enterprise has the right to classify an equity instrument as an equity component of a compound financial instrument. These terms do not affect the classification of the liability as current or non-current.	
Non-current Liabilities with Covenants (amendments to IAS 1)	This amendment clarifies that the contractual terms to which an entity is bound after the end of the reporting period do not affect the classification of liabilities as current or non-current. In addition, this amendment increases the disclosure of non-current liabilities subject to terms.	January 1, 2024
Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7)	This amendment adds new disclosures on supplier finance arrangements, including their impact on changes in liabilities arising from financing activities and quantitative disclosures on liquidity risk.	January 1, 2024

B. The Group assessed the above standards and interpretations and there is no significant impact on the Group's financial position and financial performance.

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

A. The Group has not yet applied the following new standards and amendments issued by IASB but not yet endorsed by the FSC:

New standards, interpretations and amendments		
and amendments	Main amendments	IASB effective date
Sale or Contribution of Assets Between An Investor and Its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	This amendment addresses inconsistencies between the current IFRS 10 and IAS 28. When an investor sells (invests) assets to its affiliates or joint ventures, it is determined to recognize all or part of the disposal gains or losses depending on the nature of the assets sold (invested): (1) When the assets sold (invested) meet the "business", all disposal gains and losses shall be recognized; (2) When the assets sold (invested) do not qualify as "business", non-related investors can only recognize partial disposal of gains and losses within the scope of interests in affiliated companies or joint ventures.	To be determine by IASB
IFRS 17 "Insurance Contracts"	This Standard replaces IFRS 4 "Insurance Contracts" and establishes the principles for the recognition, measurement, presentation and disclosure of Insurance and reinsurance contracts that it issues by the entities. This standard applies to all insurance contracts (including	January 1, 2023

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reinsurance contracts) that an entity issues and to reinsurance contracts that it holds; and investment contracts with discretionary participation features it issues, provided that the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations should be separated from insurance contracts. On initial recognition, each portfolio of insurance contracts issued shall be divided into a minimum of three groups by the entities: onerous, no significant possibility of becoming onerous and the remaining contracts in the portfolio. This Standard requires a current measurement model where estimates are re-measured at each reporting period. Measurements are based on discounted contract and probability-weighted cash flows, risk adjustments, and the expected profit from the unearned portion of the contract (contractual service margins). An entity may apply a simplified approach to the measurement for some of insurance contracts (premium allocation approach). The entity should recognize the revenue generated by a group of insurance contract during the period when the entity provides insurance coverage and when the entity releases the risk. The entity should recognize the loss

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immediately, if a group of insurance contracts becomes onerous. The entity should present insurance income, insurance service fees, and insurance finance income and expenses separately and its shall also disclose the amount, judgment and risk information from the insurance contract.

Insurance Contracts (amendments to IFRS 17)	This amendment includes the deferral of effective date, the expected recovery of the cash flow obtained by insurance, the contractual service margin attributable to investment services, the reinsurance contract held, the recovery of losses and other amendments. These amendments have not changed the basics of the standard in principle.	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)	This amendment allows enterprise to choose to apply the classification overlay approach for each comparative period reported in the initial application of IFRS 17. This option allows the financial assets held by an entity, including those held in activities that are not linked to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, based on how they expect to classify these financial assets in the comparative period when IFRS 9 is initially applied. Entities that have applied IFRS 9 or will apply both IFRS 9 and IFRS 17 for the first time may choose to apply the classification	January 1, 2023

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	overlay approach.	
Lack of Exchangeability (amendments to IAS 21)	This amendment defines exchangeability and provides guidance on how entities determine the exchange rate on the measurement date when a currency lacks exchangeability. The amendment also requires companies to provide more useful information in their financial statements when a currency is not exchangeable into another currency.	January 1, 2025

B. The Group assessed the above standards and interpretations and there is no significant impact to the Group's financial position and financial performance.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs, IAS, IFRIC interpretations, and SIC Interpretations as endorsed by the FSC.

(2) Basis of preparation

A. Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured by financial instruments measured at fair value, the accompanying consolidated financial statements have been prepared under the historical cost basis.

B. The following significant accounting policies applied consistently to all periods of coverage of the consolidated financial statements.

C. The preparation of financial statements that comply with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the IFRSs, IAS, IFRIC interpretations, and SIC Interpretations as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (A) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. The gains or losses should transfer directly to retained earnings if the gain or loss from disposal of underlying assets is transferred to retained earnings at disposal.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			December 31,		
			2023	2022	
The Company	Super Light Shoe Soles Co., Ltd. (“Super Light”)	Holding company	100%	100%	-
The Company	Century Victory New Materials Co., Ltd. (“Century Victory”)	Manufactures and sells various shoe soles and related shoe materials	100%	100%	Note 1
Super Light	Chengchang Shoes Industry Co., Ltd. (“Chengchang HK”)	Holding company	100%	100%	-
Chengchang HK	Jinjiang Chengchang Shoes Industry Co., Ltd. (“Jinjiang Chengchang”)	Manufactures and sells various soles and related shoe materials	100%	100%	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Details of the Company's issued shares held by the subsidiaries: None.

G. Subsidiaries that have non-controlling interests that are material to the Group: None.

Note 1: Century Victory reduced its capital in 2023 and return the share capital of US\$1,200,000 thousand to the Company.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renmibi, in order to comply with local filing requirements and

regulations, the consolidated financial statements are presented in New Taiwan dollars, which is the Group's presentation currency.

A. Foreign currency translation and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured, except for those that comply with cash flow hedging and net investment hedging and are deferred to other comprehensive gains and losses. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss; for the non-monetary assets and liabilities held at fair value through other comprehensive income or loss, their translation differences are recognized in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) All exchange gains and losses are reported in the income statement under "Other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (C) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

- (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (B) Assets held mainly for trading purposes;
- (C) Assets that are expected to be realized within twelve months from the balance sheet date; or
- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Group classified its assets that do not meet above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (A) Liabilities that are expected to be paid off within the normal operating cycle;
- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet

date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classified its liabilities that do not meet above criteria as non-current liabilities.

(6) Cash and cash equivalents

- A. For the purpose of the statements of cash flows, cash and cash equivalents consists of cash on hand, cash in bank, time deposit maturing within three months, short-term, highly liquid investments, which were within three months of maturity when acquired, and repayable bank overdraft, as part of the cash management. Bank overdraft items listed under short-term borrowings in current liabilities on the balance sheet.
- B. Cash equivalents refer to short-term, highly liquid investments that also meet the following conditions:
 - (A) Readily convertible to known amount of cash.
 - (B) Subject to an insignificant risk of changes in interest rates

(7) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (A) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (B) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or

impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

A. In accordance with terms and conditions of the contracts, entitle a legal right to unconditionally receive consideration in exchange of notes and receivables for transferred goods or rendered services.

B. Short-term notes and accounts receivable without bearing interest are measured at initial invoice amount by the Group as effect of discounting is immaterial.

(9) Impairment of financial assets

On each balance sheet date, the Group's investment in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, and accounts receivable or contractual assets, lease receivables, loan commitments and financial guarantee contracts with significant financial components, after considering all reasonable and corroborative information (including forward-looking), the loss allowance is measured on the 12-month expected credit losses for those who have not significantly increased the credit risk since the initial recognition. For those who have significantly increased the credit risk since the initial recognition, the loss allowance is measured by the expected credit losses during the period of existence; the accounts receivable or contract assets that do not contain significant financial components are measured by the lifetime expected credit loss.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when:

A. The contractual rights to receive the cash flows from the financial asset expired.

B. The contractual rights to receive cash flows from the financial asset have

been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

- C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Inventories

Inventories consist of raw materials, finished goods and work-in-process and 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. 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 weighted-average cost on the balance sheet date.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of buildings are 20 years. The estimated useful lives of machinery and equipment, transportation equipment, are 5~10 years. The estimated useful lives of office equipment are 3~10 years.

(13) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

A. Lease assets are recognized as a right-of-use asset and lease liabilities at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include:

(A) Fixed payments, less any lease incentives receivable;

(B) Variable lease payments that depend on an index or a rate;

Subsequent measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is recognized at cost, includes:

(A) The initial measured amount of the lease liability; and

(B) Any lease payments made at or before the commencement date.

The right-of use assets is measured using the cost model subsequently and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that reduce the scope of the lease, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between it and the remeasured amount of the lease liability in profit or loss.

(14) Investment property

Investment properties are initially recorded at cost, and is subsequently measured using the cost model. Except for land, depreciation is provided on a straight-line basis based on the estimated useful life, which is 20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

A. Borrowings refer to the non-current and current loans borrowed from the bank and other long-term and short-term loans. The Company initially recognizes the borrowings at fair value less transaction cost, any subsequent difference between the price and the redemption value after deducting the transaction cost, during the circulation period, the interest expense is

recognized in profit or loss by using the effective interest method.

- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is an evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(17) Notes and accounts payable

- A. Accounts payable refer to debts arising from purchase of raw materials, goods or services and notes due to operation and non-operation.
- B. Short-term notes and accounts payable without bearing interest are measured at initial invoice amount by the Group as effect of discounting is immaterial.

(18) Employee benefits

- A. Short-term employee benefits

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

- B. Pensions

Defined contribution plans

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

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(19) *Income tax*

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operated and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulation. It establishes provisions where appropriated based on the amounts expected to be paid to the tax authorities.
- C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and

associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Revenue recognition

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

Revenue from the sale of goods comes from sale of various soles and related shoe materials. Sales is recognized as revenue when the goods are delivered to the customer's specific location and signed 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. Sales revenue and trade receivables are recognized concurrently.

(21) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the strategic business unit. The strategic business unit, who is responsible for allocating resources and assessing performance of the operation segments, has been identified as the board of directors that makes strategic decisions.

(22) Earnings per shares

The Group presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the statement of income attributable to shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

(23) Dividends

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

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid changes in the environment, the Group assesses the value of inventory on the balance sheet date due to normal wear and tear, obsolescence, or no market sales value, and writes down the cost of inventory to the net realizable value. This inventory evaluation is mainly based on the estimated demand on product in a specific period in the future, therefore, there might be material changes to the evaluation.

As of December 31, 2023, the Group's carrying amount of inventories is \$20,280 thousand.

B. Evaluation of intangible assets

In the process of impairment assessment on assets, the Group needs to rely on subjective judgment, and based on the pattern of assets use and industry characteristics to determine the independent cash flow of a specific group of assets, the years of useful lives of asset, and possible future gains and losses. Any changes in estimates due to changes in economic conditions or the strategy of the Group may result in a material impairment in the future.

As of December 31, 2023, the book values of property, plant and equipment and investment property after impairment losses recognized by the Group were \$687,513 thousand and \$1,992,964 thousand, respectively.

6. Details of significant accounts

(1) Cash and cash equivalents

	December 31,	
	2023	2022
Cash on hand and working capital	\$ 445	\$ 226
Checking accounts and demand deposits	638,341	1,029,277
Time deposits	-	91,486
Total	<u>\$ 638,786</u>	<u>\$ 1,120,989</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, therefore the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Time deposits, for the purpose of meeting short-term commitments, are within three months of maturity when acquired, and can be readily converted into a fixed amount of cash and subject to insignificant risk of changes in value.

(2) Financial assets at amortized cost - current

	December 31,	
	2023	2022
Current		
Time deposits with original maturities of more than 3 months	<u>\$ 348,129</u>	<u>\$ 706,870</u>

As of December 31, 2023 and 2022, the interest rate range for bank time deposits with an original maturity of more than three months is 1.9% and 2.1% per annum, respectively.

(3) Accounts receivable

	December 31,	
	2023	2022
Accounts receivable	\$ 95,251	\$ 109,679
Less: allowance for doubtful accounts	-	-
Total	<u>\$ 95,251</u>	<u>\$ 109,679</u>

A. The Group grants an interest free and average credit term of 60 days to its customer accounts at December 31, 2023 and 2022.

B. The Group's maximum exposure to credit risk at December 31, 2023 and 2022 was the carrying amount of each class of accounts receivable and notes receivable.

C. The Group's aging analysis of accounts receivable is as follows:

	December 31,	
	2023	2022
Not past due	\$ 95,251	\$ 109,679
Past due less than 2 month	-	-
Total	<u>\$ 95,251</u>	<u>\$ 109,679</u>

D. The Group measures the allowance for doubtful notes and accounts receivable by using the provision matrix as follows:

December 31, 2023	Expected credit loss rate	Allowance for Total carrying amount doubtful accounts (Lifetime expected credit loss)			Amortized cost
Not past due	-	\$ 95,251	\$ -		\$ 95,251
Past due less than 2 month	-	-	-		-
Total		<u>\$ 95,251</u>	<u>\$ -</u>		<u>\$ 95,251</u>

December 31, 2022	Expected credit loss rate	Allowance for Total carrying amount doubtful accounts (Lifetime expected credit loss)			Amortized cost
Not past due	-	\$ 109,679	\$ -		\$ 109,679
Past due less than 2 month	-	-	-		-
Total		<u>\$ 109,679</u>	<u>\$ -</u>		<u>\$ 109,679</u>

E. Information relating to credit risk, please refer to Note 12(2).

(4) *Other receivables*

	December 31,	
	2023	2022
Other receivables	\$ -	\$ 3,800
Less: allowance for doubtful accounts	-	-
Total	<u>\$ -</u>	<u>\$ 3,800</u>

(5) *Inventories*

	December 31,	
	2023	2022
Raw materials	\$ 17,561	\$ 24,827
Work-in-process	7,312	6,626
Finished goods	2,441	1,789
	<u>27,314</u>	<u>33,242</u>
Less: allowance for decline in market value and obsolescence	(7,034)	(7,907)
Total	<u>\$ 20,280</u>	<u>\$ 25,335</u>

The cost of inventories recognized as expense (income) is as follows:

	For the year ended December 31,	
	2023	2022
Cost of sales	\$ 773,156	\$ 754,983
Impairment losses	(761)	(2,699)
Total	<u>\$ 772,395</u>	<u>\$ 752,284</u>

(6) *Property, plant and equipment*

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Property under construction	Total
Cost						
At January 1, 2022	\$ -	\$ 275,667	\$ 17,950	\$ 37,853	\$ 1,579,192	\$ 1,910,662
Additions	-	-	-	-	407,406	407,406
Reclassified	66,239	-	-	-	(1,398,587)	(1,332,348)
Disposals and scrapped	-	(190,240)	(1,347)	-	-	(191,587)
Net exchange differences	<u>-</u>	<u>5,116</u>	<u>333</u>	<u>703</u>	<u>29,302</u>	<u>35,454</u>
At December 31, 2022	66,239	90,543	16,936	38,556	617,313	829,587
Additions	1,117	-	-	-	560,090	561,207
Reclassified	-	-	-	-	(1,168,136)	(1,168,136)
Disposal and scrapped	-	(9,973)	(638)	(4,819)	-	(15,430)
Net exchange differences	(<u>995</u>)	(<u>1,359</u>)	(<u>254</u>)	(<u>579</u>)	(<u>9,267</u>)	(<u>12,454</u>)
At December 31, 2023	<u>\$ 66,361</u>	<u>\$ 79,211</u>	<u>\$ 16,044</u>	<u>\$ 33,158</u>	<u>\$ -</u>	<u>\$ 194,774</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Property under construction	Total
Accumulated depreciation and impairment						
At January 1, 2022	\$ -	\$ 208,649	\$ 15,329	\$ 24,335	\$ -	\$ 248,313
Depreciation	1,723	7,310	331	3,002	-	12,366
Impairment losses	-	5,036	-	-	-	5,036
Disposals and scrapped	-	(146,552)	(1,212)	-	-	(147,764)
Net exchange differences	16	3,985	288	480	-	4,769
At December 31, 2022	1,739	78,428	14,736	27,817	-	122,720
Depreciation	3,020	2,183	346	3,105	-	8,654
Impairment losses	3,244	-	-	-	-	3,244
Disposals and scrapped	-	(9,728)	(606)	(4,789)	-	(15,123)
Net exchange differences	(74)	(1,193)	(223)	(441)	-	(1,931)
At December 31, 2023	\$ 7,929	\$ 69,690	\$ 14,253	\$ 25,692	\$ -	\$ 117,564
Net book value						
At December 31, 2022	\$ 64,500	\$ 12,115	\$ 2,200	\$ 10,739	\$ 617,313	\$ 706,867
At December 31, 2023	\$ 58,432	\$ 9,521	\$ 1,791	\$ 7,466	\$ -	\$ 77,210

A. The Group assessed the impairment losses of property, plant and equipment for the years ended December 31, 2023 and 2022 in the amounts of \$3,244 thousand and \$5,036 thousand respectively. As of December 31, 2023 and 2022, the recognized accumulated impairment losses were \$44,077 thousand and \$43,722 thousand respectively.

B. The property under construction in 2023 were reclassified as investment property of \$1,168,136 thousand; the property under construction in 2022 were reclassified as buildings of \$66,239 thousand and investment property of \$1,332,348 thousand.

(7) *Leasing arrangements as lessee*

A. The leased assets by the Group are land and buildings with the lease period usually ranges from three to fifty years. Lease contracts are negotiated individually and contain a variety of terms and conditions. The leased assets are not to be pledged, disposed of, no other restrictions are imposed.

B. The carrying amounts of the right-of-use asset and the depreciation expense recognized are as follows:

	December 31, 2023	For the year ended December 31, 2023
	Carrying amount	Depreciation
Land use rights	\$ 684,714	\$ 16,251
Buildings	2,799	13,795
Total	<u>\$ 687,513</u>	<u>\$ 30,046</u>

	December 31, 2022	For the year ended December 31, 2022
	Carrying amount	Depreciation
Land use rights	\$ 605,989	\$ 14,463
Buildings	26,870	19,770
Total	<u>\$ 632,859</u>	<u>\$ 34,233</u>

C. Lease liabilities

	December 31,	
	2023	2022
Current	\$ -	\$ 21,746
Non-current	-	-
Total	<u>\$ -</u>	<u>\$ 21,746</u>

D. Movements of the rights-of-use assets of the Group for the year 2023 and 2022 were as follows:

	Land use		
	rights	Buildings	Total
At January 1, 2023	\$ 605,989	\$ 26,870	\$ 632,859
Additions	103,952	-	103,952
Lease modification	- (	9,976)	(9,976)
Depreciation	(16,251)	(13,795)	(30,046)
Net exchange differences	(8,976)	(300)	(9,276)
At December 31, 2023	<u>\$ 684,714</u>	<u>\$ 2,799</u>	<u>\$ 687,513</u>
At January 1, 2022	\$ 609,281	\$ 3,761	\$ 613,042
Additions	-	42,992	42,992
Depreciation	(14,463)	(19,770)	(34,233)
Net exchange differences	11,171	(113)	11,058
At December 31, 2022	<u>\$ 605,989</u>	<u>\$ 26,870</u>	<u>\$ 632,859</u>

- E. The right-of-use assets of the Group increased by \$103,952 thousand and \$42,992 thousand in 2023 and 2022 respectively.
- F. The Group assessed the impairment losses of right-of-use for the years ended December 31, 2023 and 2022 were \$0 thousand, respectively.
- G. For details of right-of-use asset pledged as collateral, please refer to Note 8.
- H. The income and expenses related to the lease contracts are recognized as follows:

Items affecting profit or loss	For the year ended December 31,	
	2023	2022
Interest expense on lease liabilities	(\$ 394)	(\$ 1,018)
Expense on short-term lease	\$ -	\$ -
Expense on lease of low-value assets	\$ -	\$ -
Profit from lease modification	\$ 213	\$ -

- I. The total cash outflows for the leases of the Group in 2023 and 2022 were \$11,624 thousand and \$22,266 thousand respectively.

(8) Leasing arrangements as lessor

- A. The underlying assets leased by the Group include land and buildings. The lease contract period is ten years. The lease contract is negotiated individually and contains various terms and conditions. To maintain the condition of the use of the leased assets, the Group requires in the lease contract, that the lessee shall not change the operating purpose without the consent of the Group; in addition, when the lessee sub-lease, the purpose of the sub-lease must be consistent with the lease purpose signed by the lessee; the lessee shall not use the leased assets as a loan guarantee.
- B. The Group signed an operating lease contract on September 1, 2023. The building and factory contracting started on July 1, 2023 and November 1, 2023, respectively, and the rent started on October 1, 2023 and February 1, 2024, respectively with a three-month rent-free period. The Group's 2023 operating lease contract recognized a rental income of \$8,879,000, of which non variable lease payments was recognized as rental income.

C. The lease receipts due under an operating lease of the Group are analyzed as follows:

	December 31,	
	2023	2022
At December 31, 2024	\$ 47,116	\$ -
At December 31, 2025	48,171	-
At December 31, 2026	48,615	-
At December 31, 2027	50,527	-
At December 31, 2028	50,579	-
After December 31, 2028	243,511	-
Total	<u>\$ 488,519</u>	<u>\$ -</u>

(9) *Investment property*

	Buildings	
Cost		
At January 1, 2023	\$	1,332,348
Additions		77,323
Reclassified		1,168,136
Capitalized interest		953
Net exchange differences	(	20,002)
At December 31, 2023	<u>\$</u>	<u>2,558,758</u>
At January 1, 2022	\$	-
Reclassified		1,332,348
At December 31, 2022	<u>\$</u>	<u>1,332,348</u>
Accumulated depreciation and impairment		
At January 1, 2023	\$	34,974
Depreciation		60,746
Impairment		474,617
Net exchange differences	(	4,543)
At December 31, 2023	<u>\$</u>	<u>565,794</u>
At January 1, 2022	\$	-
Depreciation		34,653
Net exchange differences		321
At December 31, 2022	<u>\$</u>	<u>34,974</u>
Net book value		
At December 31, 2023	<u>\$</u>	<u>1,992,964</u>
At December 31, 2022	<u>\$</u>	<u>1,297,374</u>

A. The Group obtained the ownership of the buildings at Qingyang in May 2022, therefore the property under construction was reclassified as investment property, and the land with existing buildings changed to commercial land in May 2023. The Group signed a contract for leasing on September 1, 2023. The construction contracting started on July 1, 2023, the rent started on October 1, 2023 with a three-month rent-free period.

B. The Group's magnetic stove factory completed in 2023 and obtained the property rights in November 2023, therefore reclassified from property under construction to investment property. The Group signed a lease contract on September 1, 2023 for the contracting the factory contracting started on November 1, 2023, the rent started on February 1, 2024 with a three-month rent-free period.

C. The borrowing costs of the capitalized amount and interest rate range of investment property:

	For the year ended December 31,	
	2023	2022
Capitalized amounts	\$ 953	\$ -
Capitalized interest rate range	1.7%	-

D. Rental income and direct operating expenses of investment properties

	For the year ended December 31,	
	2023	2022
Rental income from investment properties	\$ 8,879	\$ -
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 15,322	\$ -
Direct operating expenses arising from the investment property that did not generate rental income during the year	\$ 45,966	\$ -

E. The fair value of the investment property and right-of-use assets held by the Group as of December 31, 2023 was \$2,665,398 thousand. The fair value was based on the evaluation results of independent valuers. The investment property and right-of-use assets were evaluated using the

income method and the cost method respectively, which are Level 3 fair values.

F. For details of investment property pledged as collateral, please refer to Note 8.

(10) *Other assets*

	December 31,	
	2023	2022
Current		
Prepayments to suppliers	\$ 21,889	\$ 29,771
Other prepayment	9	-
Input tax	57	58
Tax overpaid retained for offsetting the future tax payable	215,810	155,727
	<u>\$ 237,765</u>	<u>\$ 185,556</u>

(11) *Impairment of non-financial assets*

A. The details of the Group recognized the impairment loss for the years ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31, 2023	
	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss - property, plant and equipment	\$ 3,244	\$ -
Impairment loss - investment property	474,617	-
	<u>\$ 477,861</u>	<u>\$ -</u>

	For the year ended December 31, 2022	
	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss - property, plant and equipment	\$ 5,036	\$ -

- B. Considering the planning of future operations and the existing production capacity of its property and buildings, the Group has assessed by independent appraiser in 2023 and 2022 that the property, plants and equipment and investment property have suffered losses, therefore impairment losses of \$ 477,861 thousand are recognized.

(12) *Accounts payable*

	December 31,	
	2023	2022
Accounts payable	\$ 45,866	\$ 49,674

(13) *Other payable*

	December 31,	
	2023	2022
Dividends payable	\$ 41,520	\$ 41,520
Salaries payable	11,673	12,053
Construction payment payables	51,078	-
Other	11,071	12,623
Total	\$ 115,342	\$ 66,196

(14) *Long-term borrowings*

The details of long-term borrowings as of December 31, 2023 are as follows:

Lenders	December 31, 2023	Interest rate (%)	Maturity date and terms of repayment
China Everbright Bank Co., Ltd	\$ 207,436	1.7	From June 30, 2023 to June 18, 2028, interest will be calculated monthly, and the principal will be repaid in installments, starting from December 18, 2024.
Less: non-current borrowings expired within an operating cycle	(15,960)		
Total	\$ 191,476)		

A. The above-mentioned borrowings are only for payment related to the magnetic stove factory project.

B. For details of collateral of non-current borrowings, please refer to Note 8.

(15) Pensions

A. Defined benefit plan

The employees of the subsidiary of the Group in Mainland China is a member of the retirement benefit plan operated by the Mainland China government. The subsidiary must allocate a specific proportion of the salary to this retirement benefit plan for funding this plan. The Group's obligation in this government-operated retirement benefit plan is to contribute a specific amount. The Company and other subsidiaries have not drawn up a retirement plan.

B. Defined contributions plan

The Group contributed in accordance with the defined contribution plan have been recognized in the consolidated statement of comprehensive income were \$7,987 thousand and \$8,781 thousand in 2023 and 2022 respectively.

(16) Ordinary shares

A. As of December 31, 2023, the Company's authorized capital was \$2,000,000 thousand with par value of \$10 per share, all of which are ordinary shares. As of December 31, 2023, total paid-in capital was \$1,529,229 thousand.

B. Movements in the number of the Company's outstanding ordinary shares are as follows:

	Number of ordinary shares (in thousand)	
	For the year ended December 31,	
	2023	2022
At January 1	152,923	152,923
Cash capital increase	-	-
At December 31	152,923	152,923

(17) *Capital surplus*

	December 31,	
	2023	2022
Issuance of ordinary shares	\$ 2,532,902	\$ 2,532,902
The difference between actual acquisition and disposal price of equity and its carrying amount	7,912	7,912
Total	<u>\$ 2,540,814</u>	<u>\$ 2,540,814</u>

The capital surplus arising from paid-up capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act of ROC requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year.

(18) *Retained earnings*

A. According to the Articles of Association, unless otherwise stipulated by the relevant laws and regulations and the regulations of publicly listed companies, if there is a surplus in the annual final accounts of the company, the board of directors shall propose a profit distribution in the following manner and sequence and submit it to the shareholders' meeting for resolution:

- (A) Make provision for all taxes in accordance with the law;
- (B) Cover the accumulated losses of previous years (if any);
- (C) Appropriate of 10% of retained earnings shall be either set aside as legal reserve according to the relevant regulations. However, the Company shall not be subjected to this requirement when the amount of accumulated legal reserve equals to the total authorized capital;
- (D) Appropriate to or reverse to special reserve according to the relevant regulations or as requested by the competent authorities; and

- (E) The current year's earnings after deducting the abovementioned items (A) to (D), plus any prior years' unappropriated retained earnings will be added to the distributable earnings. The distributable earnings may be proposed by the board of directors for dividend distribution and approved in the shareholders' meeting in accordance with the regulations governing the public companies. This distribution of shareholders' dividends shall be either in cash or shares, in which with the amount of dividends distribution shall be at least 10% of the current year's earnings after deducting the abovementioned items (A) to (D), and in which with cash dividends not less than 10% of the total dividend.
- B. In accordance with the regulations, the company shall set aside the debit balance of other equity items as a special reserve as of the balance sheet date of the year before distribution. When the debit balance of other equity items is reversed subsequently, the reversed amount could be included in the distribution.
- The amounts previously set aside by the Company as special reserve on initial application of IFRSs, in accordance with the letter of Jin-Guan-Zheng-Fa-Zi Letter No. 1 1090150022 dated March 31, 2021, when the Company subsequently uses, disposes or reclassifies the relevant assets, the previously set aside special reserve shall be reversed proportionately.
- C. The Company passed the 2022 surplus distribution plan at the shareholder's meeting on June 28, 2023; no surplus distributed in 2022 due to losses for the year. In addition, the Company passed the 2021 surplus distribution plan at the shareholder's meeting on June 30, 2022; no surplus distributed in 2021 due to losses for the year, and the special surplus reserve of \$261,612 thousand reversed in accordance with the relevant law.
- D. For details of information on employee's compensation and directors and supervisors' remuneration, please refer to Note 6(25).

(19) *Other equity items*

Exchange differences on translating the financial statements of foreign operations

	For the year ended December 31,	
	2023	2022
At January 1	(\$ 556,554)	(\$ 645,600)
Exchange differences on translation to the presentation currency	(63,164)	89,046
At December 31	(\$ 619,718)	(\$ 556,554)

(20) *Revenue*

	For the year ended December 31,	
	2023	2022
Revenue from customer contracts		
Single color and RB soles	\$ 395,542	\$ 359,297
EVO plastic particles	157,656	115,848
One injection with dual colors	-	24,085
	553,198	499,230
Rental revenue	8,879	-
	<u>\$ 562,077</u>	<u>\$ 499,230</u>

The Group's revenue from customer contracts recognized at a point in time in 2023 and 2022 were as follows:

	For the year ended December 31,	
	2023	2022
Revenue recognized at a point in time	<u>\$ 553,198</u>	<u>\$ 499,230</u>

(21) *Interest income*

	For the year ended December 31,	
	2023	2022
Interest on bank deposits	<u>\$ 15,268</u>	<u>\$ 24,391</u>

(22) *Other income*

	For the year ended December 31,	
	2023	2022
Other income - other	<u>\$ -</u>	<u>\$ 1,929</u>

(23) *Other gains and losses*

	For the year ended December 31,	
	2023	2022
Profit from lease modification	\$ 213	\$ -
Net currency exchange gain	2,821	13,011
Loss on disposal of property, plant and equipment	(244)	(31,223)
Impairment loss of property, plant and equipment	(3,244)	(5,036)
Impairment loss of investment property	(474,617)	-
Other losses	(59)	(37)
Total	<u>(\$ 475,130)</u>	<u>(\$ 23,285)</u>

(24) *Additional disclosures related to cost of revenues and operating expenses are as follows:*

	For the year ended December 31,					
	2023			2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefit expenses	\$ 126,815	\$ 27,374	\$ 154,189	\$ 166,162	\$ 34,961	\$ 201,123
Depreciation	12,093	87,353	99,446	25,818	55,434	81,252

(25) *Employee benefit expenses*

	For the year ended December 31,	
	2023	2022
Wages and salaries	\$ 130,263	\$ 173,871
Director's remuneration	9,155	9,520
Pension costs	7,987	8,781
Other personnel expenses	6,784	8,951
Total	<u>\$ 154,189</u>	<u>\$ 201,123</u>

A. In accordance with the Articles of Association, the Company's accumulated deficits should be covered before distribution of current year earnings, no more than 3% of distributable earnings and no more than 1% of current year earnings shall be appropriated as employees' compensation and directors' remuneration respectively. The employees' compensation and director's remuneration as mentioned in the preceding paragraph shall be resolved in the meeting of the board of directors attended by more than a

two-thirds of directors; of which more than half of the attended directors shall agree such distribution; and report to the shareholder's meeting.

- B. The compensation to employees were determined by the profit of the year. In 2023 and 2022, the employees' compensation and directors' remuneration of the Company was \$0 thousand and \$0 thousand, respectively.

The number of share dividend is calculated based on the closing price of the day before the resolution being made by the board and after considering the effect of ex-rights. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the board of directors, the differences are recorded in profit and loss in the subsequent year.

- C. Please refer to Market Observation Post System for more information on the resolution related to the appropriation of distributable earnings as employees' compensation and directors' remuneration of the Company's board of directors and shareholders' meeting.

(26) *Finance costs*

	For the year ended December 31,	
	2023	2022
Interest expense		
Interest on lease liabilities	\$ 394	\$ 1,018

(27) *Income tax*

A. Income tax expense

Components of income tax expense:

	For the year ended December 31,	
	2023	2022
Current income tax for the year		
Current income tax for the year	\$ -	\$ -
Deferred tax		
Relating to origination and reversal of temporary differences	(2,320)	2,775
Income tax expense (gain)	(\$ 2,320)	\$ 2,775

B. Reconciliation between income tax expense and loss before income tax:

	For the year ended December 31,	
	2023	2022
Income before income tax	(\$ 864,052)	(\$ 427,103)
Income tax expense at statutory rate	(130,523)	(60,844)
Tax effect of adjusting items		
Permanent differences	260	182
Loss on unrecognized deferred tax assets	57,552	74,237
Unrecognized temporary differences	70,391	(10,800)
Income tax expense (gain)	(\$ 2,320)	\$ 2,775

C. The details of deferred income tax assets and liabilities were as follows:

	For the year ended December 31, 2023			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax liabilities				
Unrecognized foreign exchange gains	\$ 3,176	(\$ 2,350)	\$ -	\$ 826

	For the year ended December 31, 2022			
	At January 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 31
Deferred tax liabilities				
Unrecognized foreign exchange gains	\$ 368	\$ 2,808	\$ -	\$ 3,176

D. The details of unrecognized deferred tax assets were as follows (in CNY\$ thousand):

	December 31,	
	2023	2022
Loss carry forward		
Expired in 2024	\$ 57,737	\$ 57,737
Expired in 2025	84,684	84,684
Expired in 2026	112,380	112,380
Expired in 2027	112,456	112,456
Expired in 2028	87,164	-
	<u>454,421</u>	<u>367,257</u>
Deductible temporary differences		
Allowance of inventory for decline in market value and obsolescence	1,616	1,790
Impairment loss on property, plant and equipment and investment property	115,175	7,985
Others	500	700
	<u>117,291</u>	<u>10,475</u>
Total	<u>\$ 571,712</u>	<u>\$ 377,732</u>

E. The Group's income tax filing has been completed within the filing period in according to the local governments of different jurisdiction.

F. The applicable income tax rate to the Group's subsidiary in Mainland China is 25% except for Jinjiang Chengchang, which was certified as a high-tech enterprise of Mainland China in 2023 and 2022, therefore the applicable income tax rate is 15%. Taxes of other jurisdictions are calculated based on the applicable tax rates of each relevant jurisdiction.

(28) *Earnings per share*

A. The calculation of earnings per share and weighted average number of ordinary share is as follows:

For the year ended December 31, 2023			
	Amount after tax	Weighted average number of ordinary shares used in computation of basic earnings (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to the Company	(\$ 861,732)	152,923	(\$ 5.64)
<u>Diluted earnings per share</u>			
None			

For the year ended December 31, 2022			
	Amount after tax	Weighted average number of ordinary shares used in computation of basic earnings (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Loss attributable to the Company	(\$ 429,878)	152,923	(\$ 2.81)
<u>Diluted earnings per share</u>			
None			

(29) *Changes in liabilities from financing activities*

The reconciliation of the Group's liabilities from financing activities is as follows:

	January 1, 2023	Cash flow	Other non-cash	December 31, 2023
Lease liabilities	\$ 21,746	(\$ 11,624)	(\$ 10,122)	\$ -
Non-current borrowings (including current portion)	-	207,436	-	207,436
Guarantee deposits received	-	4,787	-	4,787
Total	<u>\$ 21,746</u>	<u>\$ 200,599</u>	<u>(\$ 10,122)</u>	<u>\$ 212,223</u>

	January 1, 2022	Cash flow	Other non-cash	December 31, 2022
Lease liabilities	\$ -	(\$ 22,266)	\$ 44,012	\$ 21,746

7. Related party transactions

Balances and amounts of transaction between the Company and subsidiaries had been eliminated upon consolidation and were not disclosed in this note.

Key management compensation

	For the year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	<u>\$ 9,155</u>	<u>\$ 9,520</u>

8. Pledged of assets

The details of the guarantee provided for the assets of the Group were as follows:

Pledged assets	Purposes	Carrying amount	
		December 31,	
		2023	2022
Land and land use right	Long-term loans	\$ 150,024	\$ --
Investment property	Long-term loans	463,835	--
Total		<u>\$ 613,859</u>	<u>\$ --</u>

9. Significant contingent liabilities and unrecognized commitments

As of December 31, 2023, Jinjiang Chengchang and Century Victory, the subsidiaries of the Company, the contracted and unpaid project payments were RMB 6,180 thousand and RMB 6,055 thousand, respectively.

10. Significant disaster loss

None.

11. Significant events after the balance sheet date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to its best to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adopt different measurements including adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares etc. The Group monitors capital on the basis of the gearing ratio. The Group's gearing ratios as of December 31, 2023 and 2022 are as follows:

	December 31,	
	2023	2022
Total liabilities	\$ 374,257	\$ 140,792
Total assets	\$ 4,097,898	\$ 4,789,329
Gearing ratio	9%	3%

After reviewing the recent debt-to-asset ratio, the increase in the debt-to-asset ratio on December 31, 2023 compared to December 31, 2022 was mainly due to the Company's new borrowings.

(2) *Financial instruments*

A. Financial instruments by category

	December 31,	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 638,786	\$ 1,120,989
Bank time deposits with original maturity exceeding three months	348,129	706,870
Accounts receivables	95,251	109,679
Other receivable	-	3,800
Total	<u>\$ 1,082,166</u>	<u>\$ 1,941,338</u>

	December 31,	
	2023	2022
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Accounts payable	\$ 45,866	\$ 49,674
Other payable	115,342	66,196
Non-current borrowings (including current portion)	207,436	-
Guarantee deposits received	4,787	-
Total	<u>\$ 373,431</u>	<u>\$ 115,870</u>
Lease liabilities	<u>\$ -</u>	<u>\$ 21,746</u>

B. Financial risk management objectives and policies

The Group's financial instruments include equity and accounts receivables, other receivables, bank borrowings, accounts payable and other payables. Risk management is coordinated by the Group's finance department by entering domestic and international financial market operations and responsible to monitor and manage the financial risk according to the degree of risk and evaluating the breadth analysis of risk exposure. Such risk includes market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to reduce the risk by employing a risk management and to analyze, identify and evaluate the related financial risk that potentially poses adverse effects on the Group. The Group has a relevant plan to hedges the adverse factors of financial risk.

(A) Market risk

Market risk is arising from movements in market prices, such as foreign exchange risk and interest rate risk that affecting the Group's earning or financial instruments held by the Group. The objective of market risk management is to control the market risk exposure within affordable range and to optimize the return on investment.

The major markets risks undertake by the Group's operation are foreign exchange risk, interest rate risk and equity price risk. In practice, a movement by a single change in risk variables is rare, hence change in risk variables are always interrelated. The following sensitivity analysis did not consider the interaction of related risks variables.

a. Exchange risk

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets measured at fair value that are denominated in foreign currency. The Group's foreign exchange risk is mainly arising from the foreign exchange gains and losses against the cash and cash equivalents that are dominated in foreign currency.

Details of the unrealized exchange gains and losses of the Group's monetary items whose value would significant affected by exchange rate fluctuation are as follows:

For the year ended December 31, 2023			
	Foreign currency amount (in thousands)	Exchange rate	Unrealized exchange gains and losses (NT\$)
<u>Financial assets</u>			
US\$: CN¥	\$ 1,394	7.10625	\$ 3,363
HK\$: CN¥	4	0.90990	-
<u>Financial liabilities</u>			
NT\$: CN¥	\$ 45,570	0.22980	(\$ 592)

For the year ended December 31, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Unrealized exchange gains and losses (NT\$)
<u>Financial assets</u>			
US\$: CN¥	\$ 5,173	6.90260	\$ 12,822
HK\$: CN¥	8	0.88365	-
<u>Financial liabilities</u>			
NT\$: CN¥	\$ 46,070	0.22635	\$ 341

The sensitivity analysis of the Group's exchange risk mainly focuses on the relevant foreign currency appreciation or depreciation of main foreign currency items at the closing date of financial reporting period, and its impact on the Group's profit and loss and equity.

The determination of below sensitivity analysis is based on the Group's non-functional currency assets and liabilities with significant exchange rate exposure at the balance date. The relevant information is as follows:

December 31, 2023						
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$: CN¥	\$ 1,394	7.10625	\$ 43,208	5%	\$ 2,160	\$ -
HK\$: CN¥	4	0.90990	17	5%	1	-
<u>Financial liabilities</u>						
NTS\$: CN¥	\$ 45,570	0.22980	\$ 45,570	5%	\$ 2,278	\$ -

December 31, 2022						
	Foreign currency amount	Exchange rate	Carrying amount (NT\$)	Variation	Effect on profit or loss	Effect on equity
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$: CN¥	\$ 5,173	6.90260	\$ 157,753	5%	\$ 7,888	\$ -
HK\$: CN¥	8	0.88365	30	5%	2	-
<u>Financial liabilities</u>						
NTS\$: CN¥	\$ 46,070	0.22635	\$ 46,070	5%	\$ 2,303	\$ -

b. Interest rate risk

The borrowing by the entities within the Group with fixed and floating rate, exposes the Group to interest rate risk. The Group by maintaining an appropriate combination of fixed and floating rate to manage interest rate risk.

The carrying amounts of financial assets and financial liabilities of the Group with interest rate exposure at the balance sheet date are as follows:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 348,129	\$ 706,870
Financial liabilities	-	21,746
Cash flow interest rate risk		
Financial assets	638,341	1,120,763
Financial liabilities	207,436	-

Sensitivity analysis

The following sensitivity analysis is based on interest rate risk exposure on the non-derivative instruments at the closing reporting date of the reporting period. Regarding the liabilities with the variable interest rates, the following analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 1% when key management report internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

For the financial assets with variable interest held by the Group, if the interest rate has increased or decreased by 1% with other variable held constant, the Group's net profit before tax would have increased or decrease by \$6,383 thousand and \$11,208 thousand for the years ended December 31, 2023 and 2022, respectively.

For the financial liabilities with variable interest held by the Group, if the interest rate has increased or decreased by 1% with other variable held constant, the Group's net profit before tax would have increased or decrease by \$2,074 thousand and \$0 thousand for the years ended December 31, 2023 and 2022, respectively.

(B) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by counterparties on the contract obligations. The Group's credit risk is attributable to its operating activities (mainly accounts receivables) and financial activities (mainly bank deposits).

Each unit of the Group follows credit risk policies, procedures and controls to manage credit risk. The credit risk assessment of all counterparties is based on factors such as the financial position, the rating of the credit rating agency, historical trading experience, the current economic environment and the Group's internal rating criteria

etc.

The Group's accounts receivables mainly comprise receipts from customers on sales of goods. Based on the past experiences, the Group's management assessed these accounts receivable has no significant risk.

The finance department of the Group manages the credit risk of bank deposits, and other financial instruments in accordance with the Group's policies. The trading parties of the Group are determined by internal control procedures, most of them are brand manufacturers with large scale and good operating conditions; therefore, there is no significant credit risk.

The Group also continuously observes the financial and operating conditions of the accounts receivable. Based on past experience, the Group is exposed to a very low probability and amount of credit risk. As of December 31, 2023 and December 31, 2022, the customers whose single customer accounts for more than 10% of the total accounts receivable is as follows:

	December 31, 2023	December 31, 2022
A Company	\$ 33,418	\$ 36,465
B Company	30,495	30,284
C Company	14,123	35,640
D Company	11,262	-

(C) Liquidity risk

Liquidity risk refers to risk when the Group is unable to settle its financial liabilities by cash or other financial assets and failure to fulfill obligations associated with existing operations.

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents in order to cope and mitigate the effects of the Group's operating cash flow fluctuations. The Group's management oversight banking facilities usage and ensure the terms of the loan agreement are followed.

Table of liquidity and interest rate risk

The table below analyses the Group's non-derivative financial liabilities based on remaining period to the contractual maturity date during the agreed repayment period and in accordance to the possible earliest required date of repayment. The financial liabilities in below table prepared by undiscounted cash flows.

December 31, 2023				
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Accounts payable	\$ 45,866	\$ -	\$ -	\$ 45,866
Other payables	115,342	-	-	115,342
Non-current borrowings (including current portion)	19,537	206,533	-	226,070
Guarantee deposits received	4,787	-	-	4,787
Total	\$ 185,532	\$ 206,533	\$ -	\$ 392,065
December 31, 2022				
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total of undiscounted cash flows
<u>Non-derivative</u>				
<u>financial liabilities</u>				
Accounts payable	\$ 49,674	\$ -	\$ -	\$ 49,674
Other payables	66,196	-	-	66,196
Lease liabilities	21,746	-	-	21,746
Total	\$ 137,616	\$ -	\$ -	\$ 137,616

(3) *Fair value information*

A. The different levels of valuation techniques which are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: The input value of this level is the public quotation (unadjusted) of the identical asset or liability in the active market. A market is regarded as active when the goods in the market are in same nature and the price information is readily available in the public market for both buyers and sellers. The fair values of the Group's investments in publicly listed securities and beneficiary certificate are included in this level.

Level 2: Inputs other than the observable publicly quoted prices included within Level 1 for assets and liabilities, either directly (such as price) or indirectly (such as derived from the price).

Level 3: Unobservable inputs for the asset or liability.

As of December 31, 2023 and 2022, there is no financial and non-financial instruments that are measured by fair value.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, bank borrowings, accounts payable and other payables are reasonable approximations of fair values.

(4) *Others*

Since the outbreak of the COVID-19 pandemic began to heat up, the Group followed the Chinese local government's epidemic prevention policy to suspend work from March 20, 2022 to April 18, 2022. The Group did not have a major impact on its finances and operations.

13. Supplementary disclosures

(1) Significant transactions information:

No.	Items	Footnote
1	Loans to others	Table 1
2	Provision of endorsements and guarantees to others	None
3	Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures)	None
4	Purchase or sale of the same security with the accumulated cost exceeding \$300 million or 20% of paid-in capital or more	None
5	Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more	Table 2
6	Disposal of real estate reaching \$300 million or 20% of paid-in capital or more	None
7	Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more	None
8	Receivables from related parties reaching \$100 million or 20% of paid-in capital or more	Table 3
9	Derivative financial instruments undertaken	None
10	Significant inter-company transactions between the Company and subsidiaries	Table 4

(2) Information on investments: Table 5

(3) Information on investments in Mainland China: Table 6

(4) Information of major shareholders: Table 7

Table 1

Victory New Materials Limited Company and Subsidiaries

Loans to others

For the year ended December 31, 2023

(In thousands of New Taiwan dollars, unless stated otherwise)

No.	Lender	Borrower	Financial statement account	Related party	Highest balance for the period (Note 3)	Ending balance	Actual borrowing amount	Interest rate (%)	Nature of financing (Note 1)	Business transaction amount	Reasons for short-term financing	Allowance for impairment loss	Collateral		Financing limit for each borrower (Note 2)	Aggregate financing limit (Note 2)	Note
													Item	Value			
0	The Company	Chengchang HK	Other receivables from related parties	Yes	\$ 65,274 (CN¥ 15,000 thousand)	\$ 65,274 (CN¥ 15,000 thousand)	\$ 65,274 (CN¥ 15,000 thousand)	-	(2)	\$ -	Enrich capital for operating need	\$ -	-	\$ -	\$ 372,364	\$ 1,489,456	Note 2 (1)
1	Jinjiang Chengchang	Century Victory	Other receivables from related parties	Yes	435,161 (CN¥ 100,000 thousand)	435,161 (CN¥ 100,000 thousand)	388,224 (CN¥ 89,214 thousand)	-	(2)	-	Enrich capital for operating need	-	-	-	3,505,120	3,505,120	Note 2 (2)
2	Chengchang HK	Jinjiang Chengchang	Other receivables from related parties	Yes	65,274 (CN¥ 15,000 thousand)	65,274 (CN¥ 15,000 thousand)	65,274 (CN¥ 15,000 thousand)	-	(2)	-	Enrich capital for operating need	-	-	-	3,510,544	3,510,544	Note 2 (2)

Note 1: Nature of financing was as follows:

- (1) Having business relationship.
- (2) Necessity of short-term financing.

Note 2: (1) Aggregate financing limits should not exceed 40% of the Company's net worth. For whom have necessity of short-term financing, the loan amount to a single company shall not exceed 10% of the net value as shown in the latest audited or reviewed financial statement .

- (2) For the loan to others who is held by a same parent company directly and indirectly with the 100% voting rights, the total loan amount and the loan amount to a single company shall not exceed 100% percentage of the net value as shown in the latest audited or reviewed financial statements.

Note 3: The highest balance for the period was calculated with the year-end exchange rate.

Note 4: Transactions between the Company and its subsidiaries were eliminated on consolidation.

Table 2

Victory New Materials Limited Company and Subsidiaries
Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more
For the year ended December 31, 2023
(In thousands of New Taiwan dollars, unless stated otherwise)

Buyer	Property	Event date	Transaction amount (Note 1)	Payment status	Counterparty	Relationship	Information on previous title transfer If counterparty is a related party				Pricing reference	Purpose of acquisition	Other terms
							Property owner	Relationship	Transaction date	Amount			
Jinjiang Chengchang	Buildings and investment property	May 8, 2021, June 8, and June 10, 2023	\$ 836,884 (CN¥ 192,316 thousand)	CN¥187,004 thousand paid	Zhong Jian Tong Ji (Fujian) Construction Co., Ltd.	-	-	-	-	\$ -	Inquiry, price comparison and bargaining	To be building a factory building	-
Century Victory	Buildings and investment property	January 19, 2022, and June 10, 2023	418,028 (CN¥ 94,684 thousand)	CN¥88,943 thousand paid	Zhong Jian Tong Ji (Fujian) Construction Co., Ltd.	-	-	-	-	-	Inquiry, price comparison and bargaining	To be building a factory building	-

Note 1: The amount was calculated with the year-end exchange rate.

Table 3

Victory New Materials Limited Company and Subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2023
(In thousands of New Taiwan dollars, unless stated otherwise)

Company name	Related party	Relationship	Amount due from a related party	Turnover rate	Overdue		Amount received in subsequent period	Allowance for doubtful debts
					Amount	Actions taken		
JinJiang Chengchang	Century Victory	The same parent company	\$ 388,224 (CN¥ 89,214 thousand)	(Note 1)	\$ -	-	\$ -	-
The Company	Chengchang HK	Subsidiary	65,274 (CN¥ 15,000 thousand)	(Note 1)	-	-	-	-
Chengchang HK	Jinjiang Chengchang	Subsidiary	65,274 (CN¥ 15,000 thousand)	(Note 1)	-	-	-	-

Note 1: It is a loan, the calculation of turnover rate is not applicable.

Note 2: Transactions between the Company and its subsidiaries were eliminated on consolidation.

Table 4

Victory New Materials Limited Company and Subsidiaries
Significant inter-company transactions between the Company and subsidiaries
For the year ended December 31, 2023
(In thousands of New Taiwan dollars, unless stated otherwise)

No.	Investee company	Counterparty	Relationship (Note 1)	Transaction details			
				Financial statement accounts	Amount	Payment terms	% to total sales or total assets
0	The Company	Chengchang HK	2	Other receivables - related party	\$ 65,274 (CN¥ 15,000 thousand)	-	2%
1	JinJiang Chengchang	Century Victory	1	Other receivables - related party	388,224 (CN¥ 89,214 thousand)	-	9%
2	Chengchang HK	Jinjiang Chengchang	2	Other receivables - related party	65,274 (CN¥ 15,000 thousand)	-	2%

Note 1: Relationship with related party is as follows:

- 1. From a subsidiary to a subsidiary
- 2. From parent company to subsidiary

Note 2: Transactions between the Company and its subsidiaries were eliminated on consolidation.

Table 5

Victory New Materials Limited Company and Subsidiaries

Information on investments

For the year ended December 31, 2023

(In thousands of New Taiwan dollars, unless stated otherwise)

Investor company	Investee company	Location	Main business and products	Original investment amount		As of December 31, 2023			Net income (loss) of the investee	Share of profit (loss)	Note
				December 31, 2023	December 31, 2022	Number of shares	%	Carrying amount			
The Company	Super Light	Nevada, U.S.A.	Investment	\$ 1,932,002 (CN¥ 443,974 thousand)	\$ 1,961,449 (CN¥ 443,974 thousand)	100	100%	\$ 3,510,544	(\$ 819,268)	(\$ 819,268)	-
Super Light	Chengchang HK	Hong Kong	Investment	1,041,349 (CN¥ 239,302 thousand)	1,057,221 (CN¥ 239,302 thousand)	-	100%	3,510,544	(819,268)	(819,268)	-

Note 1: The amount was calculated at the year-end exchange rate.

Note 2: Net income of investees, investments accounted for using the equity method of investor and net assets of investee company between the investor and investee company have been eliminated on consolidation.

Note 3: Refer to Table 6 for information relating to investees in Mainland China.

Table 6

Victory New Materials Limited Company and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2023
(In thousands of New Taiwan dollars, unless stated otherwise)

Investee company	Main businesses and products	Paid-in capital (Note 1)	Method of investment (Note 2)	Accumulated outward remittance for investment from Taiwan as of January 1, 2023	Remittance of funds		Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Net income (loss) of the investee	% Ownership of direct or indirect investment	Investment gain (loss) (Note 3)	Carrying amount as of December 31, 2023	Accumulated repatriation of investment income as of December 31, 2023
					Outward	Inward						
Jinjiang Chengchang	Manufacturing and sells various soles and related shoe materials	\$ 538,203 (HK\$ 135,926 thousand)	(2)	\$ -	\$ -	\$ -	\$ -	(\$ 819,252)	100%	(\$ 819,252)	\$ 3,505,120	\$ -
Century Victory	Manufacturing and sells various soles and related shoe materials	210,281 (US\$ 6,800 thousand)	(1)	-	-	-	-	(28,222)	100%	(28,222)	137,153	-

Accumulated outward remittance for investment in mainland China as of December 31, 2023	Investment amount authorized by Investment Commission, Ministry of Economic Affairs	Upper limit on the amount of investment stipulated by Investment Commission, Ministry of Economic Affairs
Not applicable	Not applicable	Not applicable

Note 1: The amount was calculated at the year-end exchange rate.

Note 2: Three types of investment methods are as follows for indications:

- (1) Invest directly in Mainland China.
- (2) Invest in Mainland China through third-region companies: held by Chengchang HK.
- (3) Other methods.

Note 3: The amount is recognized based on the audited financial statements.

Note 4: Net income of investees, investments accounted for using the equity method of investor and net assets of investee company between the investor and investee company have been eliminated on consolidation.

Table 7

Victory New Materials Limited Company and Subsidiaries
Information of major shareholders
December 31, 2023
(Expressed in thousands of ordinary shares)

No.	Name of major shareholder	Number of shares held	Percentage of shareholding (%)
1	Cheng Yue Investment Limited (BVI)	27,501	17.98
2	Wang Wen Ling	7,775	5.08

Note 1: The information of major shareholders in the above table was calculated by the Taiwan Depository and Clearing Corp. based on the information of shareholders of the Company who hold more than 5% of ordinary shares and special shares and have been completed the non-physical registration and delivery (including treasury shares) on the last business day of the end of each quarter. As for the shares capital recorded in the Company's financial statements may vary from the Company's actual number of shares which completed the non-physical registration and delivery due to different calculation basis or differences.

Note 2: In the above table, if the shareholder entrust its shares to the trust, disclosure is made by the individual accounts of the trustee who opened the trust account by the grantor. As for the shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, his shareholding includes his own shares plus the shares entrusted to the trust with voting right, etc. For the information on the declaration for insider equity, please refer to Market Observatory Post System.

14. Segment information

(1) General information

The management of the Group has identified the reportable segment based on the reported information used by the board of directors in decisions making.

The Group is divided by operating business, and its reportable segments include sales of shoe sole, investment holding and leasing business.

(2) Segment information

The segment information provided to the strategic business unit for the reportable segments is as follows:

Except for Jinjiang Chengchang and Century Victory, the Group is specializing in investment holding. Jinjiang Chengchang and Century Victory are mainly engaged in the research and development, manufacturing and trading of various shoe soles and related shoe materials, which are main source of profit for the Company.

The accounting policies of the segments are in agreement with the significant accounting policies summarized in Note 4.

The Group's reportable segment income, profit and loss, assets and liabilities are adjusted, eliminated and summarized as follows:

For the year ended December 31, 2023					
	Sales of shoe sole	Investment holding	Leasing business	Elimination & adjustment	Total
Total segment revenue					
Revenue from external customers	\$ 553,198	\$ -	\$ 8,879	-	\$ 562,077
Inter-segment revenue	-	-	-	-	-
Total	\$ 553,198	\$ -	\$ 8,879	-	\$ 562,077
Segment net income (loss)	(\$ 323,824)	(\$ 2,500,268)	(\$ 523,650)	\$ 2,486,010	(\$ 861,732)
Segment assets	\$ 2,231,749	\$ 10,856,489	\$ 2,191,793	(\$ 11,182,133)	\$ 4,097,898
Segment liabilities	\$ 366,730	\$ 111,760	\$ 414,539	(\$ 518,772)	\$ 374,257

Inter-segment income, profit and loss, assets and liabilities are adjusted and eliminated.